# SUNLAND GROUP
# 2004 ANNUAL REPORT

# Contents FOR THE YEAR ENDED 30 JUNE 2004

**RECORD PROFIT $55.2M**

**RECORD SALES ACHIEVED ACROSS ALL PROJECTS**

| | |
|---|---|
| Q1 | 90% sold |
| Circle | 75% sold |
| Legends | Sold out/Settled |
| Lumiere | Sold out/Settled |

**Q1 ON SCHEDULE FOR COMPLETION AUGUST 2005**

On budget On time

**GEOGRAPHIC EXPANSION COMPLETED**

Sydney Office opened

Four Sites acquired

**PIPELINE FOR 2007 - 2010 AUGMENTED**

New land acquisitions in regional Queensland - Townsville, Mackay and Sunshine Coast, and Picton and Forster in New South Wales.

**MANAGEMENT RIGHTS BUSINESS CONTINUES TO GROW**

boosting future annuity income stream

JOHN LEAVER
Chairman Sunland Group Limited

SOHEIL ABEDIAN
Executive Director
Joint Managing Director Sunland Group Limited

SAHBA ABEDIAN
Executive Director
Joint Managing Director Sunland Group Limited

CRAIG TREASURE
Executive Director
National Director - Land and Housing Sunland Group Limited

GARRY ROTHWELL
Non-Executive Director

TERRY JACKMAN
Non-Executive Director

## Sunland Board of Directors

On behalf of the Board of Directors I have pleasure in presenting the Annual Report and Financial Statements of Sunland Group Limited and its controlled entities for the year ended 30 June 2004.

The Group achieved a net profit result of $55.2m after tax, representing a 103% increase on the previous year. Earnings per share increased accordingly to 30.6 cents, with the asset backing increasing to 87.5 cents. It is important to note that the asset backing of the Group would be substantially higher if we were to realise the inherent value attached to our management rights business, as well as the retail and commercial assets of Circle on Cavill Retail and the Q1 observation deck. Return on shareholder equity increased from 28.9% to 29.4%.

Total revenue of $390.5 million was up by 78.5% from $218.8m for the previous year. However, joint venture sales activities of Q1 and Glades generated $137m, of which Sunland took up $68.5m in turnover for the year.

Given the high rate of sales across each project during the year, and the slow down now evident in the market, the sales revenue for the current year is not expected to be at the same levels. Q1 is now 90% sold and over 75% of Circle on Cavill is unconditional. The Group has maintained a strong policy for its presales on these major projects with 10% cash deposits required, before contracts are deemed unconditional.

The exceptional profit result occurred during a year of strong growth for the Group and the industry. As forecast, the highrise division contributed 60% of the profit which was generated primarily from the strata titling of Legends, Lumiere, and the balance of settlements on Aria. Emerging profits from Q1 and Circle represented approximately $10m, and Melbourne's Yve contributed proportionally to the construction status. Land contributed some 22% with Melbourne's Sanctuary Lakes, Arbour on the Park and Orchard Park along with Queensland's Sea Breeze, being the major contributors. The Housing division contributed 15% flowing from Nerang River Springs, Easthill at the Glades and Newstead Terraces in Brisbane.

The progress of Q1 has continued to be a highlight for Sunland with construction well underway, on budget and on time. Its completion in August 2005, will see the iconic building recognised as the world's tallest residential tower - another major milestone in Sunland's evolution.

During the year, Sunland commenced construction on two other major projects, with the Circle on Cavill project as part of the revitalisation of central Surfers Paradise, and Yve on St Kilda Road, Melbourne. Profits generated from these projects will continue to contribute to the financial years 2005 - 2007.

The diversification of the portfolio has progressed significantly throughout the year as a consequence of new acquisitions of land and housing sites in regional Queensland and New South Wales, along with a joint venture agreement to develop the 25 acre Mercure Resort, Budds Beach site. Melbourne also secured a new property on St Kilda Road with a joint venture arrangement in place to develop its second highrise. The project pipeline now totals $4.1 billion with a well balanced spread across land, housing and highrise. Land now comprises 51%, Housing 14% and Highrise 35%. **Of this portfolio $2bn is underway with construction and pre-sales representing 70% of this work.**

The Group's new acquisitions which make up the balance of the $4.1bn portfolio, will support the income streams through to 2010, in particular replacing the major highrise projects such as Q1 following its completion in 2005 and Circle on Cavill in 2007. Future acquisitions by the Group will be focused on areas which show strong population and infrastructure growth.

The Hotel division performed well with EBITDA of $4.5m. During the year, Legends was refurbished and strata titled to provide the Group with strong profit income from an investment asset, as well as retaining management rights. The apartment building has continued to be marketed as Legends Hotel. Palazzo Versace has continued to increase its annual profit and this year was accepted into the prestigious membership of Leading Hotels of the World.

### GROUP FINANCIAL GROWTH

A prudent level of cash and unused bank facilities is maintained by the Group to allow for acquisition of new sites. As at 30 June 2004 the Group had available cash of $9.9 million and undrawn bank facilities of $199 million which can be progressively drawn throughout each development. The Group undertook its first rights issue in April this year, with a successful capital raising of $43m (net of transaction costs) to further support the growth strategy, and augment the Group's cash balance to optimise land and housing opportunities as they are identified. This has already been evidenced through the acquisition of sites such as Bushland Beach (Townsville, QLD), Forster (NSW) and Mackay (QLD).

Overall the Group's cash flow has been boosted by the steady flow of settlements from all completed projects, along with the successful rights issue.

### DIVIDEND

A 6 cents fully franked dividend was paid in July 2004. It is the intention of the Board to pay a 7 cents fully franked dividend for the next financial year, with an interim and final dividend proposed (February 2005 and August 2005).

### APPOINTMENT OF NEW NON-EXECUTIVE DIRECTOR

In May, Mr Terry Jackman was appointed as non-executive Director to the Sunland Board. This appointment is an important step forward in enhancing the Board, to add value to the Group's business activities. In particular Mr Jackman's expertise in tourism and entertainment will be of immense value to the company's hotel division, management rights business and the commercial/retail operations of Q1 and Circle on Cavill. Mr Jackman also sits on the Audit Committee, and is the Chairperson of the Tourism Committee. The Board will continue to evaluate appointments of other non-executive directors to add value and expertise to the existing Board structure, and in order to meet the compliance requirements under corporate governance.

### ANNUAL GENERAL MEETING

This year's annual general meeting will be held at Legends Hotel, Surfers Paradise on **November 18th, 2004.** I encourage shareholders and interested parties to attend this meeting.

The continued achievements of Sunland is a tribute to the efforts and dedication of the executive management and staff. The past year is testimony to the progress achieved as the Group continues its growth in diversification at the same time further strengthening its core business of land and housing. The Group remains focused on its delivery of existing projects as it delivers the earnings forecast and further diversifies its opportunities to enhance the income stream over the longer term.

The future for Sunland is strong and bright, and I look forward to the year ahead.

The Board and Management believe the previously reported profit forecast of $60m for 2005 is achievable, taking into consideration pending interest rate increases and a softening of the market in the next 12-18 months.

**JOHN LEAVER**
Chairman, Sunland Group Limited

'The Group's current acquisition strategy is to concentrate only on those areas which show strong future population and infrastructure growth, coupled with the delivery of a product that matches the market's needs in that particular geographic location.'

**SOHEIL ABEDIAN AND SAHBA ABEDIAN** Joint Managing Directors Sunland Group Limited

As Sunland celebrates its 21 years as a developer, and its ninth year as a listed entity on the Australian Stock Exchange, the past year has seen the culmination of past efforts reflected in the achievement of significant milestones for the Group and its shareholders.

The Group has always held a long term objective to be part of the more recognised ASX indices. This goal was realised this year with the Group's entry into the ASX 300 recognising the growth in market capitalisation and increased liquidity.

## PROFIT GROWTH

The Group was particularly proud of its record profit result of $55.2m after tax producing the strongest result in the industry in relation to market capitalisation.

This profit was generated across all divisions in particular the completion of projects such as Legends, Lumiere, Easthill Residences and Nerang River Springs were major contributors. Overall highrise contributed 60% to the profit of the Group, Land contributed 22% and Housing 15%.

## CONSTRUCTION

A key achievement for the year has been the progress through our construction division. Firstly the progress of Q1, which continues to be on budget and on schedule for completion in August 2005. The division also commenced two other highrise projects, Circle on Cavill in the heart of Surfers Paradise and Yve on St Kilda Road. One of the critical factors for the progress in this division has been the control of costs and the delivery of consistent quality. This has been achieved through a divisional support structure incorporating inhouse construction for highrise and housing, joinery and electrical. The division also commenced the Group's first low rise development in Brisbane - Newstead Terraces.

## CONTINUATION OF GEOGRAPHIC DIVERSIFICATION

Another integral step in Sunland's growth strategy has been the continuation of our geographic diversification. This was achieved during the year with the opening of a Sydney office and the acquisition of four sites in land and housing in NSW.

Continuing to build our future pipeline through the land and housing portfolio has remained a core focus with the acquisition of sites in Central and Northern Queensland. We are now well established with good long term producing sites spanning from Northern and Central Queensland to SE Queensland, from the Central coast of NSW to inner Sydney and the fastest growing suburbs in Victoria.

Queensland has continued to represent the cornerstone of the Group's business activities which has largely been driven by Sunland's 'home ground' expertise, along with the continued strong forecast growth for the State's population. Acquisitions in the past 12 months have taken this growth into consideration at the same time strengthening our presence in NSW and Victoria as the right opportunities have arisen.

The successful capital raising of $43m (net of transaction costs) through a rights issue in April enabled Sunland to participate in these site acquisitions to fulfil future growth plans.

## GROWTH IN ANNUITY INCOME

While the development arm of the business has strengthened year on year, the Group well recognises that this strategy alone cannot be replicated with growth earnings of 20% each year. Accordingly, the Group's management rights business is integral to boosting the annuity income streams and the next few years will see the development arm produce assets that will enable Sunland's management rights business to substantially increase its contribution to the annual profit stream. Palazzo Versace's profit has continued to grow at a very healthy rate as it starts to optimise its true potential. We also retained the management rights of Legends following its successful strata titling during the year which contributed significantly to this year's profit.

In August 2005 Q1 will commence operations, followed by Circle on Cavill in 2006/2007. By 2010 the management rights business will have some 3,800 apartments under management.

Supplementing the 'management rights' annuity income stream will be the income from the Observation Deck of Q1 and the retail precinct of Circle on Cavill which will commence operation towards the end of 2005 and add to the returns of 2006 and beyond.

Management identified some time ago the need to establish a property trust, with strategies well underway now to realise this objective as the income producing areas of the business grow.

The Group also expanded its product base with the commencement of its strategy to carve a niche in the Childcare centre arena. For Sunland this means developing Childcare centres as part of new housing precincts in growth corridors as well as stand alone centres identified in strong population areas. The Group has embarked upon the establishment of a number of centres with operational income from the division calculated from 2006 onwards.

## FUTURE

During the year strategic transactions were entered into for future developments post Q1 and Circle on Cavill. This included the joint venture agreements for the development of the Mercure Resort, Budds Beach site with City Pacific Limited and the second St Kilda Road highrise site with Melbourne based Pellicano Group which will be developed in the future.

The current pipeline is in the order of $4.1bn representing some 10,000 products. The addition of significant land parcels during the year including NSW projects along with Bushland Beach in Townsville, Shoal Bay - Mackay, and Peregian on the Sunshine Coast have increased the land portfolio to a more desired level of 51%. Housing now represents 14% and highrise 35%.

## STAFF AND MANAGEMENT

In recognising the Group's achievement this year, it is important to equally acknowledge the astute and professional management team in all four offices and the divisions and subsidiaries of the Group which include hotels, design and construction groups, electrical, joinery and real estate teams. The Group's path of vertical integration last year, has proven that in-house services can cost effectively deliver the quality and service for which Sunland seeks to differentiate itself in the market.

As the divisions and offices expand along with the number of projects, maintaining a streamlined operation is critical to the ongoing success of the Group. We are extremely proud of the combined efforts of the Group in the past year, and the passion and vigour which is applied to every aspect of the business to produce a better outcome on every project undertaken. Similarly the hospitality arms of our business carry the same commitment to deliver the highest quality service.

Sincere thanks and appreciation are extended to everyone associated with all of Sunland's activities, for the challenges that they continually rise to, meet and strive to **'always do better'.**

Management is confident and excited about the year ahead as it continues on its charter of quality growth. The team is committed to achieving the Group's objectives and continuing to identify opportunities to enable solid growth and enhance shareholder value.

**SOHEIL ABEDIAN**
Joint Managing Director
Sunland Group Limited

**SAHBA ABEDIAN**
Joint Managing Director
Sunland Group Limited

# 2003/2004 Highlights

| Year Ended 30 June | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|
| For the Year | | | | | |
| Sales Revenue ($ millions) | 147.31 | 126.10 | 205.60 | 218.78 | 390.5 * |
| Operating Profit After Tax ($ millions) | 12.19 | 7.04 | 10.80 | 27.20 | 55.2 |
| At Year End | | | | | |
| Shareholders' Equity ($ millions) | 52.39 | 59.77 | 71.14 | 94.09 | 188 |
| Total Assets ($ millions) | 230.85 | 214.60 | 272.31 | 340.70 | 546.87 |
| Cash ($ millions) | 6.20 | 3.17 | 2.53 | 11.06 | 9.94 |
| Per Share | | | | | |
| Earnings (cents) | 7.45 | 4.25 | 8.00 | 14.40 | 30.6 |
| Net tangible assets ($) | 0.32 | 0.36 | 0.42 | 0.55 | 0.875 |
| Key Measures | | | | | |
| Return on shareholders' equity after tax (%) | 23.3 | 11.78 | 19.10 | 28.9 | 29.4 |
| Gearing 30 June (Debt/Equity) | 2.53:1 | 1.91:1 | 1.83:1 | 1.57:1 | 1.13:1 |

* While the Group's turnover for the year increased by 78.5% to $390.5m, it must be noted that total joint venture sales activity was $137m, of which Sunland has taken up $57m in turnover for the year.

### Financial
- Sales revenue was $390.5 million (up 78.5% from $218.78 million)*
- Net profit after tax was $55.2 million
- Entry to ASX 300
- Dividend of 6 cents fully franked paid July 2004
- Shareholders' equity at year end increased to $188m
- Sunland's earnings per share - 30.6 cents
- Net tangible assets per share increased by 32.5 cents to 87.5 cents.

### Sydney Highlights
- Office opened
- Four sites acquired in Sydney at
  - Picton
  - Cammeray
  - Birchgrove
  - Forster

### Melbourne Highlights
- Yve construction commenced - 80% sold, scheduled completion February 2006
- Acquired 454 St Kilda Road
- Sold Orchard Park
- Launched Land and Housing Estates
  - Arbour on the Park
  - Signature at Sanctuary Lakes

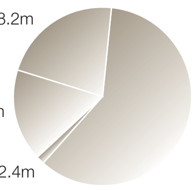
### Queensland Highlights
#### Highrise
- Lumiere residences - completed and settled April 2004
- Legends Hotel - strata titling completed, 90% settled
- Q1 on schedule for completion in August 2005
  Only 40 apartments remain for sale (Total of 527)
- Circle on Cavill construction underway
  Retail scheduled for completion December 2005
  South Tower scheduled for completion mid 2006
  North Tower scheduled for completion mid 2007
- Avalon Apartments - commenced marketing and construction July 2004
  Completion scheduled for 2006

#### Land and Housing
- Sea Breeze land estate in Brisbane - almost sold out
- Newstead Terraces - construction underway, completion November 2004
- Glades - Easthill Residences - 185 homes completed with only 5 left for sale
- Glasswing Condominiums - under construction with completion by December 2004.

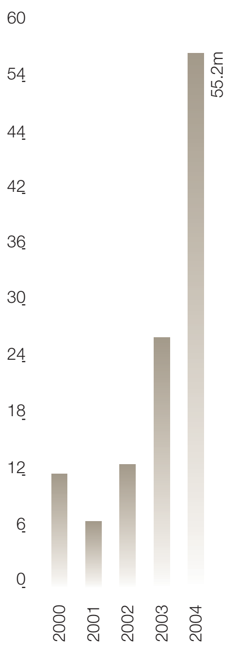
#### Acquisitions
- Bushland Beach, Townsville - 2000 lots
- Shoal Bay, Mackay - 375 lots
- Edmonstone Road, Bowen Hills - 115 units proposed
- Elof Road, Caboolture - 85 lots
- Braes Road, Griffin - 120 lots

#### Joint Venture Arrangements for Developments
- Mercure Resort, Budds Beach (25 acres) with CP1 Limited
- 1700 lots at Peregian on the Sunshine Coast with Bundaberg Sugar

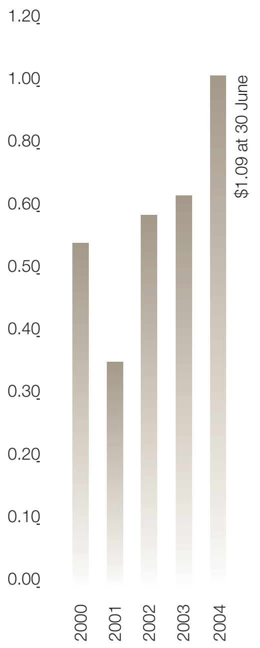
| | Project launched | Project Size | Sales as at 30 June 2004 |
|---|---|---|---|
| Aria, Broadbeach | April 2001 | 83 apartments | Sold Out |
| Easthill, The Glades | August 2001 | 185 homes | 164 |
| Q1, Surfers Paradise | November 2001 | 527 apartments | 469 |
| River Springs, Nerang | August 2001 | 290 homes | Sold Out |
| Lumiere, Broadwater | October 2002 | 92 apartments | 87 |
| Sea Breeze, Cleveland | June 2003 | 91 lots | 84 |
| Circle on Cavill - South Tower | December 2002 | 272 apartments | 215 |
| - North Tower | April 2003 | 365 apartments | 228 |
| Signature at Sanctuary Lakes (Vic) Stg 1 | February 2003 | 114 lots | 80 |
| Yve, Victoria | June 2003 | 210 lots | 164 |
| Legends Hotel - Strata Title | July 2003 | 205 apartments | 184 |
| Avalon Apartments | May 2004 | 170 apartments | 23 |
| **Medium Density Projects** | | | |
| Glasswing (The Glades, Robina) | January 2004 | 96 condominiums | 5 |
| Newstead Terraces, Newstead (Brisbane) | September 2003 | 61 apartments | 34 |
| **Land and Housing** | | | |
| Arbour On The Park, Burnside (Vic) | July 2003 | 590 lots | 176 |
| Arbour Manors, Burnside (Vic) | to be launched 2005 | 120 homes | - |
| Clover Hill, Mudgeeraba (Qld) | February 2004 | 200 lots | 16 |
| Jardin at Sanctuary Lakes (Vic) | to be launched 2005 | 128 homes | - |
| Bourton Place, Merrimac (Qld) | December 2003 | 40 duplexes | 27 |
| Reserve Road, Coomera (Qld) I | to be launched late 2004 | 80 homes | - |
| Reserve Road, Coomera (Qld) II | to be launched late 2004 | 80 homes | - |
| **New Projects Launched** | | | |
| Bushland Beach, Townsville Stg 1 | July 2004 | 49 lots | - |



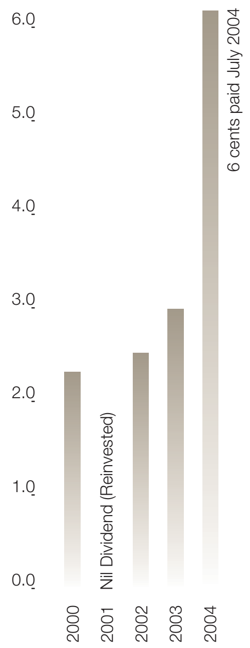

GROSS PROFIT BY PRODUCT



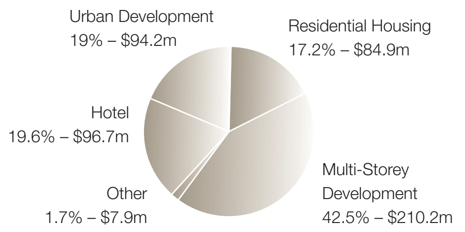

NET PROFIT AFTER TAX ($ MILLIONS)



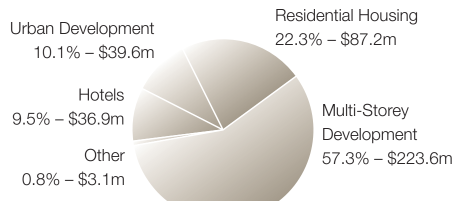

SHARE PRICE ($)




DIVIDENDS (cents)




ASSET BY PRODUCT




REVENUE BY PRODUCT

# Sunland Group - Organisation Chart | FOR THE YEAR ENDED 30 JUNE 2004

## BOARD

**John Leaver** Chairman
**Garry Rothwell** Non-Executive Director
**Terry Jackman** Non-Executive Director
**Soheil Abedian** Executive Director
**Sahba Abedian** Executive Director
**Craig Treasure** Executive Director

## JOINT MANAGING DIRECTORS

**Soheil Abedian**
**Sahba Abedian**

## NATIONAL STRUCTURE

### HOUSE AND LAND
**Craig Treasure**
*National Director - Land and Housing*

#### LAND
**Queensland**
Gary Kordic
*Development Executive*

**Victoria**
Chris Betts
*Development Executive*

**New South Wales**
Sam Renauf
*Development Executive*

#### URBAN PLANNING
**Queensland**
Sean Kelly

**Victoria**
William Robertson

#### HOUSING CONSTRUCTION
**Queensland**
Riaz Rezvani
*Residential Housing Manager*

**Victoria**
Peter Clayi
*Residential Housing Manager*

**New South Wales**
Shahab Zowghi
*Residential Housing Manager*

### HIGHRISE DESIGN
**David Brown**
*National Design Director*

**Architecture**
Sunland Design Team

**Landscaping**
Cameron McLeod

**Interior Design**
Melanie Martin

### HIGHRISE CONSTRUCTION
**John Tatler**
*National Construction Manager*

**Queenland and New South Wales**
John Tatler

**Victoria**
Julian Doyle

#### IN-HOUSE SUBSIDIARIES
JOINERY

ELECTRICAL

FORMWORK

### FINANCE AND ACCOUNTING
**Grant Harrison**
*Equity and Funding Manager*

**Financial Controller**
Scott Springer

**Accounting Department**
HR/Payroll/Accounts Payable

### CHILDCARE
**Stephen Hall**
*CEO Childcare Services*

**Curriculum Development**
Stephen Hall

**Operations**
Larelle Murphy

**Research**
Mona Rezvani

**Site Acquisition**
Peter Hill

### GENERAL MANAGEMENT
**Anne Jamieson**
*General Manager Queensland*

#### OPERATIONS
Corporate Communications
Marketing and Advertising
Office Administration

#### SALES
**Sunland Realty**
Deborah Provost

#### IN-HOUSE LEGAL COUNSEL
Despina Priala

#### INFORMATION TECHNOLOGY
Brian Dumka

#### TOURISM, LEISURE AND RETAIL
**Sunland Hotels and Resorts**
**Q1**
Michael Moret-Lalli

**Palazzo Versace**
Sandra Tikal

**Legends Hotel**
Christian Barcza

**Leisure**
**Q1 observation deck**

**Retail**
**Circle on Cavill**
Jon Adler

## BRANCH OFFICES

**Sydney**
Administration
Marketing
Sales

**Melbourne**
Administration
Marketing
Sales

**Brisbane**
Administration
Marketing
Sales

# Management Team

## People inspired by people

Shared values and vision energised the vibrancy and growth of 2004.

**SUNLAND EXECUTIVE MANAGEMENT TEAM**

1 **CHRIS BETTS** Development Executive VIC
2 **DAVID BROWN** National Design Director
3 **STEPHEN HALL** CEO Childcare
4 **GRANT HARRISON** Equity & Funding Manager
5 **ANNE JAMIESON** General Manager QLD
6 **GARY KORDIC** Development Executive QLD
7 **SAM RENAUF** Development Executive NSW
8 **RIAZ REZVANI** National Construction Manager Residential
9 **SCOTT SPRINGER** Financial Controller
10 **JOHN TATLER** Construction Manager highrise


As a business grows and matures, it requires new infusions of energy - to convert strategy and action into economic performance, sustaining competitive advantage.

Sunland's workforce includes people who are expert in a range of disciplines. Thinking laterally, thinking imaginatively, treating obstacles as opportunities, and forever continuing to raise the benchmark.

As the Group expands, it is the diversity of skills that leads to innovation - the innovation that fuels recognition and underpins achievement.

It's a growth-oriented policy designed to keep Sunland at the sharp end of progress, while ensuring that staff dedication and enthusiasm are supported by a depth of experience and variety of expertise.

## Continued Growth in Product, Geographic Diversification and Vertical Integration.

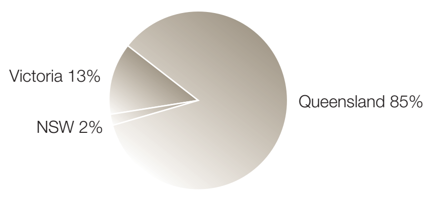
A strategy of diversification both in product and geographically has resulted in significant growth for the Group, with a strong presence in both Queensland and Victoria. During the year an office was established in Sydney with sites acquired throughout New South Wales for land and housing developments.

The Group has cultivated a portfolio that now spans six divisions:
**Urban Development**
**Residential Housing**
**Multi-storey Projects**
**Tourism and Leisure (including management rights)**
**Retail**
**Childcare**

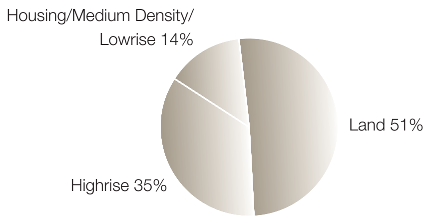
**Current Development Portfolio**

| Product | QLD | VIC | NSW | Total |
|---|---|---|---|---|
| Land | 4546* | 592 | 260 | 5398 |
| Housing / Medium Density / Lowrise | 945 | 362 | 18 | 1325 |
| Highrise | 3181 | 210 | - | 3391 |
| Total | 8672 | 1164 | 278 | 10114 |

Figures indicate number of product units - for example, unit of vacant land or developed apartment - proposed for each project currently under development.
* Includes Peregian on the Sunshine Coast 1700 announced 9 September 2004.




CURRENT GEOGRAPHIC DIVERSIFICATION




CURRENT PRODUCT MIX

### Vertical Integration of Services

Sunland incorporated vertical integration as part of its strategy back in 2002. This has proven to be fundamental to ensuring quality control and timeliness in its delivery of product and service, in addition to cost control throughout the past year.

| SUBSIDIARY DIVISIONS |
|---|
| SUNLAND CONSTRUCTIONS<br>Housing<br>Highrise |
| **Joinery**<br>Housing<br>Highrise |
| **Electrical**<br>Housing<br>Highrise |
| **Formwork**<br>Highrise |
| SUNLAND REALTY<br>Marketing/Sales |
| SUNLAND DESIGN<br>Architecture<br>Urban Planning<br>Interiors<br>Landscaping |
| SUNLAND HOTELS AND RESORTS<br>Palazzo Versace<br>Legends Hotel<br>Q1 |

For 21 years, Sunland has been producing projects of outstanding quality, originality and distinction, earning a reputation for progressive, innovative and sensitively planned developments.

# Urban Development

## Sunland does more than just build land estates, it creates communities - with all the amenities for a high quality of life.

For the people who invest in Sunland divisions, they receive more than just a block of land - they share in the distinctive benefits that set our projects apart

JARDIN SANCTUARY LAKES 4

# Land portfolio over 5000 lots

1 **ARBOUR ON THE PARK** Victoria, 592 Lots
2 **CLOVER HILL** Gold Coast, 200 Lots
3 **PICTON** New South Wales, 141 Lots
4 **JARDIN** Victoria, 128 Lots
GROWTH IN REGIONAL AREAS
5 **BUSHLAND BEACH** Townsville, 2000 Lots
**MACKAY** 350 Lots
**PEREGIAN** Sunshine Coast, 1700 Lots
**FORSTER** New South Wales, 119 Lots

The majority of developments we undertake are on such a large scale that they are developed over several years, and consequently underpin the cash flow on a long term basis.


Sunland's focus extends well beyond the dimensions of individual allotments to encompass the integrity of the entire development and its synergy with the surrounding environment.
Careful, sensitive design and planning to create a sense of community is always foremost in our minds as we set out to develop a site, and mould it into its environment to create a new community, or to add to an existing estate.

### Victoria

**Arbour on the Park**

Located in the north western corridor of Melbourne, stages 1 - 4 comprising some 173 lots were completed, with only 35 left for sale. Stage 5 has just been released with the balance of the project to be developed over the next 3 - 4 years.

**Jardin - Sanctuary Lakes**

In 2005 the second parcel of Sanctuary Lakes will be launched comprising 128 lots.

### New South Wales

**Picton**

A rural residential site with the capacity for approximately 141 'one acre' allotments in the south western corridor of Sydney was acquired during the year. The site is pending development approval.

**Forster**

Sunland acquired a 119 residential allotment parcel within the 'Palms' estate at Forster in September. Marketing of the four stages will commence immediately.

### Queensland

With the continued population growth in Queensland, Sunland has acquired several strategic sites during the year - to provide strong income for the next 10 - 15 years. In particular the opportunities in regional Queensland have provided some excellent development sites for the Group. This includes projects at Griffin (120 lots), Caboolture (85 lots), Bushland Beach, Townsville for 2000 lots - with allotment sales well underway, 350 allotments in Mackay and a Joint Venture with Bundaberg Sugar for 1700 allotments at Peregian on the Sunshine Coast. The latter two transactions were concluded post year end.

**During the year** the Sea Breeze project at Cleveland continued to produce strong sales, albeit a slowing towards the end of the year was evident. At year end only 7 lots were left for sale.

In early 2004 we launched Clover Hill Mudgeeraba which comprises a total of 200 allotments. This will be a staged release over the next 12-18 months.

# Residential Housing

## Sunland excels in designing homes that have a distinctive, yet unique architectural look.

At the same time shaping totally integrated communities with a creative difference.

GLASSWING RESIDENCES GOLD COAST_4

# Housing portfolio over 1000 products

1 **EASTHILL** Gold Coast, 185 residences
2 **SIGNATURE** Sanctuary Lakes, 114 residences
3 **NEWSTEAD TERRACES** Newstead, 61 terrace villas
4 **GLASSWING RESIDENCES** Gold Coast, 96 condominiums
5 **BIRCHGROVE** Sydney, 12 luxury apartments
**CAMMERAY** Sydney, 2 luxury villas
**BOURTON PLACE** Gold Coast, 40 duplexes
**RIVER SPRINGS** Gold Coast, 288 homes

NEW ACQUISITIONS

**RESERVE ROAD COOMERA** Gold Coast, 160 homes
**CASTLE HILL** Sydney, 4 luxury homes
**EDMONSTONE ROAD** Bowen Hills, 115 units proposed
**ARBOUR MANORS** Victoria, 120 residences


1 2 3 5

Sunland's first homes were of the highest luxury standard, and as the Group has expanded to produce residences across all divisions, the element of being different in design, with an emphasis on quality at competitive prices, has never changed.

### HOUSING

Housing Estates completed during the year

Queensland

**Nerang River Springs** - 288 courtyard homes in a secure gated estate

**Easthill Glades** - 185 villas.

Joint venture project with Thakral Group. Only 21 homes remain for sale in the total project which will be completed by December 2004.

Residential estates either commenced or well under construction during the year

Victoria

**Signature at Sanctuary Lakes** - 114 residences as part of a two stage development. Only 34 residences left for sale.

**Arbour on the Park** - Sunland has allocated 120 homes as part of the 592 lot subdivision - for development during 2004 - 2006.

Queensland

**Bourton Place** - Merrimac 40 duplexes with project now sold out. Commencing post June 30, 2004

**Reserve Road Coomera** - Two stages comprising 160 homes. Ellington (Stage 1) to commence September 04.

New South Wales

**Castlebrae** - Castle Hill. Site acquired to build 4 luxury homes, due to commence late 2004.

### MEDIUM DENSITY – RESIDENTIAL

The Group has expanded its residential housing division to incorporate low rise medium density development. This predominantly comprises 3 - 5 storey developments. This style of development caters for a segment of the market seeking a secure environment, with low maintenance quality design and lifestyle benefits.

During the year we commenced

Brisbane

**Newstead Terraces** - 61 villa apartment residences in a 5 storey complex located in the rejuvenated inner city river precinct of Newstead. 35 apartments sold with completion by December 2004.

Easthill Residences The Glades

**Glasswing Condominiums** - 96 condominiums. A three staged precinct with 32 condominiums currently being marketed as stage 1.

Projects to commence post June 30, 2004

New South Wales

**Louisa Road**

Birchgrove. Development application for 12 luxury residential apartments is currently in council with DA expected before the end of 2004.

**Cammeray**

2 luxury villa homes will commence construction in September with completion in 2005.

Queensland

**Edmonstone Road**

Bowen Hills 115 unit development proposed awaiting DA before commencing construction.

Sunland WILL actively seek new opportunities in all States to further grow this fundamental part of the Group's business.

# Multi-Storey Projects

## Sunland continues to achieve industry recognition for delivering excellence in design and construction in its multi-storey projects.

While our construction team and subsidiary divisions of electrical and joinery have worked actively on the highrise developments, our in house design team SUNLAND DESIGN has spent endless hours on the planning process, architectural design features, interiors and landscaping to ensure a quality outcome for the purchaser.

AVALON GOLD COAST_5

# Highrise portfolio over 3000 products

1 **LUMIERE** Gold Coast, 92 apartments
2 **Q1** Gold Coast, 527 apartments
3 **CIRCLE ON CAVILL** Gold Coast, 647 apartments
4 **YVE** St Kilda Road Victoria, 210 apartments
5 **AVALON** Gold Coast, 170 apartments

NEW JOINT VENTURES

**BUDDS BEACH** Gold Coast, 1540 apartments
**454** St Kilda Road Victoria, 105 apartments

Changes in lifestyle needs has seen an increase in more sophisticated amenities and advances through technology, to incorporate the very best in modern facilities that provide security, convenience, luxury and lifestyle benefits.


### Projects completed during the year

**Queensland**

Lumiere - Marine Parade, Labrador.
Construction completed and sold (only 2 remain)
Legends Hotels - refurbished, strata titled and sold

### Projects under construction during the year

**Q1** continued its climb to get closer to its ranking of world's tallest residential tower during the year. The building has already reached the status of Queensland's tallest building with 60 storeys constructed. It is on budget and target for a scheduled completion (80 storeys on completion) by August 2005. Only the skyhome residences and subpenthouses remain for sale.

Upon completion, Q1 - which is a joint venture development with the Brisbane based Anderson family, will be recognised as a landmark destination for the Gold Coast, with its inspirational architecture, glass encased appearance and sheer height (328m) reaching a level taller than the Eiffel Tower in Paris.

**Circle on Cavill**

Construction for the twin tower residential and retail precinct in the heart of Surfers Paradise commenced in June 2003. The retail precinct is scheduled for completion by December 2005. The South Tower comprises 272 apartments and will be completed mid 2006, followed by the north tower comprising 365 apartments in mid 2007. The precinct will also provide 11 home offices above the retail precinct and at the base of the south tower. Sales for the project now exceed 500.

**Yve St Kilda Road**

Construction of the 210 luxury residential apartment building commenced in February. The Melbourne team has worked closely with local authorities, and urban design teams in conjunction with Sunland Design to create a building that is sophisticated, stylishly contemporary, at the same time optimising the environs and views afforded by its St Kilda Road environment. YVE is now 80% sold with the premium apartments at the higher levels selling out first. Only lower level one bedroom apartments remain. Completion scheduled for early 2006.

### New projects acquired during the year.

The Group continued to pursue opportunities to enhance its highrise portfolio by entering into two joint venture agreements to develop two new highrise projects that provide for continued growth of the highrise division contributing to the Group's profit income for the years 2007 onwards. These joint venture projects are:

**454 St Kilda Road**

A joint venture with the Pellicano Group was entered into during the year to develop a 105 apartment building with a similar design philosophy to the Yve building. It will be Sunland's second highrise on the prominent St Kilda Road.

**Budds Beach**

A joint venture agreement was signed with CP1 Limited to develop a strategic parcel of 25,000 sqm in the prime residential precinct of Budds Beach Surfers Paradise. The site currently comprises the Mercure Resort and amalgamated residential dwellings. It is proposed that the site be redeveloped to provide a mixed use residential/retail precinct to accommodate 1540 apartments. This project will commence following the completion of Q1 and Circle on Cavill with delivery from 2007 - 2010.

### Projects that commenced construction during the year

Avalon - 170 apartment building on the Nerang River, in central Surfers Paradise was acquired in late 2003. Development approval was obtained during the year with construction and marketing commenced in August. Completion of Avalon is scheduled for 2006.

# Tourism, Leisure and Retail

## People now seek a true experiential lifestyle when travelling - an authentic experience.

At Palazzo Versace people get the brand experience by immersing themselves in every aspect of the brand, which is delivered at every level of the guest experience.

## By 2010 Sunland will be managing 3800 apartments

HOTEL AND CONDOMINIUMS

1 **PALAZZO VERSACE** Gold Coast, 277 hotel rooms and condominiums

2 **LEGENDS** Gold Coast, 403 suites

The management rights business operated by Sunland has continued to grow in 2004 with, management rights now in place for:

3 **Q1** Gold Coast, operational August 2005, 527 apartments

4 **CIRCLE ON CAVILL** South Tower 272 apartments, North Tower 365 apartments operational 2006/07

**AVALON** 170 apartments, operational 2006

**BUDDS BEACH** 1540 apartments, operatrional 2010

LEISURE AND RETAIL

**Q1 OBSERVATION DECK** operational September 2005

**CIRCLE ON CAVILL RETAIL** scheduled to open December 2005


Hotel Revenue increased from $35.5m to $38.4m
Profit of $4.5m (before interest and depreciation)
Palazzo Versace - celebrated its fourth anniversary
Legends was strata titled, with Sunland retaining the management rights including function and conference facilities

### Hotel Management

Sunland's management rights business is integral to boosting the future income annuity stream of the Group. Both Palazzo Versace and Legends performed well throughout the year, returning a healthy profit of $4.5m (before interest and depreciation). Palazzo Versace has continued to be recognised as one of the premier leisure destinations not only in Australia but on a world wide scale. This year it was accepted as a member of Leading Hotels of the World and was awarded the winner of the Luxury Hotel category by Tourism Queensland.

During the year, the Group strata titled Legends hotel, with the building now completely sold out, with a strong investment return to the Group. As part of Sunland's strategy to grow the management rights business, it has retained the management rights of Legends including the function and conference facilities.

In the year ahead, the commencement of Q1 in August 2005 will see the management rights business expand further, to be followed by Circle on Cavill, Avalon and later Budds Beach. By 2010 Sunland will have some 3800 apartments under management (based on the existing development portfolio).

### Leisure - Q1 Observation Deck

While Sunland has acquired the management rights for Q1, the Q1 Observation Deck and Q1 Store will operate as a joint venture upon opening in August 2005. The income derived from these operations will also supplement the management rights business from 2006 onwards.

### Retail - Circle on Cavill

As part of the rejuvenation of the heart of Surfers Paradise, Sunland has incorporated 11,000 sqm of retail in its Circle on Cavill residential development. The retail precinct will comprise an open air piazza with a video super screen, alfresco cafes and restaurants, anchored by a new generation supermarket and fresh food gallery, major homeware stores, a mega pharmacy along with 47 specialty, fashion and accessory stores. For many years, Surfers Paradise has lacked the variety and quality of the southern States in retail - Circle on Cavill will be a revolution in shopping, leisure and living for the Gold Coast. Circle on Cavill retail will be owned and managed by Sunland providing income from 2006 onwards, with the opening scheduled for December 2005.

# Childcare Divison

**Innovative programs based on best practices in the field of early childhood education will be the key differences experienced at Sunkids Children's Centres**

# Sunkids Children's Centres developed and operated by Sunland

The establishment of the Childcare division provides further diversification of income streams that capitalises on Sunland's property development and management expertise. As with other aspects of the company's operations Sunkids Children's Centres will offer quality service and facilities.

### Development of new centres

Resisting market forces, which have resulted in highly inflated prices for existing Childcare centres, the focus during the first year of the division has been on building new facilities. While leaving scope for the acquisition of a small portfolio of high quality existing centres; this strategy is supported by market analysis which evidences the fact that new centres operated by major competitors produce a significantly better return than those centres acquired 'secondhand'.

The current roll out of a network of new centres within growth corridors on the east coast of Australia provides a platform for the stable expansion of the Childcare division in 2005 and beyond. There are 21 new facilities, providing 1600 Childcare places, currently under development on sites that have been secured in Queensland and Victoria with the first scheduled to open by May 2005. The balance are scheduled to be operational within the first half of the 2005-2006 financial year.

Another 15 potential sites, including several in New South Wales, are also under negotiation and continuous growth will flow from the establishment of Sunland operated Childcare centres within its residential developments.

### Sunland's Philosophy

State of the art facilities and innovative programs based on best practices in the field of early childhood education, will be the key differences experienced at Sunkids Children's Centres. Our market research points to the fact that parents not only expect the very best for their children but, particularly in the light of public scrutiny, have become more discerning in making judgments about the performance of Childcare services. An approach which recognizes and honours the primary importance of their role and draws out the best potential within their children is one which not only appeals to the vast majority of parents but makes sound long-term business sense.

This statement outlines the Group's approach to the 10 principles of Good Corporate Governance and Best Practice identified by the ASX Corporate Governance Council. Unless otherwise stated, the Group's corporate governance practices were in place throughout the year ended 30 June 2004, and accordingly comply with ASX CGC best practice recommendations.

Throughout the year, the Board through the Audit Committee has focussed closely on the existing and emerging corporate governance issues. The Group's entry to the ASX 300 during the year has also necessitated enhanced compliance, in particular with the requirements for independence at a Board and sub committee level. Consequently, a new independent Board member, Mr Terry Jackman was appointed bringing expertise to the tourism activities of the Group. As the Group implements new policies and procedures it will further strengthen its compliance with the ASC CGC best practice.
While the Board fully recognises the ASX CGC best practice recommendations, and indeed will aim for total independence at a Board level by 2005, it still believes in a mix of independence, experience and expertise.

## 1. ROLE AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

*ASX CGC Principle No. 1*
Lay Solid Foundations for management and oversight
*Council Recommendation 1.1*
Formalise and disclose the functions reserved to the Board and those delegated to Management

### Sunland Practice

Sunland's Board is responsible to shareholders for the corporate governance of the Group. This responsibility includes:

- strategic guidance and effective oversight of management;
- monitoring of respective roles and responsibilities of Board members and senior executives;
- ensuring a balance of authority so that no single individual has unfettered powers;
- contribution to and approval of the corporate strategy of the Group;
- monitoring the organisation's performance and achievement of its corporate strategy;
- approving and monitoring the progress of significant corporate projects, including acquisitions and sales;
- reviewing and approving the annual business plan and financial budget;
- monitoring financial performance including preparation of financial reports and liaison with auditors;
- appointment and assessment of the performance of the Executive Directors; and
- ensuring that significant risks have been identified and appropriate controls and procedures implemented.

The Board of Sunland believes that the entrepreneurial activity of the Group to be the responsibility of the Joint Managing Directors and the Executive Management. The Board's role is to monitor and measure the activities carried out by the management team.

### Role of Joint Managing Directors

A strategic balance of business roles and responsibilities is carried out between the Joint Managing Directors alongside National Director - Land and Housing. The positions of Joint MD are carried out by the founder of the Group, Mr Soheil Abedian and Mr Sahba Abedian. National Director - Land and Housing is Mr Craig Treasure. Below details the shared responsibilities of the three executive directors which ensures a balance of geographic focus as well as specialist skills in their respective areas of expertise.

**Soheil ABEDIAN** (Joint Managing Director - based in Gold Coast/Sydney)

- Oversees all Project Concepts and Design
- Oversees all project feasibilities, acquisitions and recommendations to Board
- Reviews and approves all management and staff salaries (Member of Remuneration Committee)
- Manages relations with investors, key stakeholders, institutions, brokers & analysts
- Monitors cash flow and Group financial performance in conjunction with Equity & Funding Manager/Financial Controller

**Sahba ABEDIAN** (Joint Managing Director - based in Gold Coast/Melbourne)

- Oversees Victorian operations
- Jointly oversees NSW operations
- Member of Remuneration Committee (Vic rep)
- Responsible for NSW and Vic Management and Staff
- Responsible for assessment and recommendation of new site acquisitions in Victoria

**Craig TREASURE** (National Director - Land and Housing - based Gold Coast/Brisbane)

- Oversees all land and housing activities in Qld and NSW
- Assists with Victorian land and housing activities
- Recommends site acquisitions for land and housing in Qld and NSW
- Member of Remuneration Committee (Qld rep)
- Permanent invitee to Audit Committee

### Executive Management Structure.

The three directors comprise the core of the Executive Committee representing the geographical spread of the Group, together with department/divisional heads managing the key business divisions of the Group. The Executive Committee meets on a monthly basis to review feasibilities and the status of each project. These meetings also include the review of hotel operations, Childcare and general administration of the Group. Land, housing and highrise divisions meet weekly.

### Site Acquisitions

A delegated level of authority is vested with the Joint Managing Directors, with sign off required by all directors for acquisitions above this delegated level of authority, a prerequisite before site purchase. No acquisition is made without unanimous Board approval.
**Capital Expenditure** for the Group including hotel operations is approved on an annual budget basis tabled at Board Level.

Corporate Governance Statement | FOR THE YEAR ENDED 30 JUNE 2004

**BOARD OF DIRECTORS**

Mr John Leaver *Chairperson*
Mr Garry Rothwell
*Non-Executive Director (independent)*
Mr Terry Jackman
*Non-Executive Director (independent)*
Mr Soheil Abedian
*Executive Director*
Mr Sahba Abedian
*Executive Director*
Mr Craig Treasure
*Executive Director*
(Sunland Board Meets Bi-Monthly)

Mr Grant Harrison
*Company Secretary*

**REMUNERATION COMMITTEE**

Mr Soheil Abedian
Mr Sahba Abedian
Mr Craig Treasure
Mr Garry Rothwell
(Meets min. annual and as required)

**AUDIT COMMITTEE**

Mr Garry Rothwell *Chairperson*
Mr Terry Jackman
Mr Scott Springer *Secretary*
Invited Members
(Mr Craig Treasure,
Mrs Anne Jamieson,
Mrs Despina Priala,
Mr Grant Harrison,
Ernst and Young representatives)
(Meets Quarterly)

**NOMINATIONS COMMITTEE**

Mr Craig Treasure
*Chairperson*
Nominations directed to
Mr Craig Treasure for representation to the Board.

**TOURISM COMMITTEE**

Mr Terry Jackman *Chairperson*
Mrs Anne Jamieson
Mr Sahba Abedian
Hotel Representatives
(Meets Quarterly)

**EXECUTIVE DIRECTORS**

Mr Soheil Abedian
*Joint Managing Director*
Mr Sahba Abedian
*Joint Managing Director*
Mr Craig Treasure
*National Director Land and Housing*
(All Executive Directors sit on the Executive Comittee)

**EXECUTIVE COMMITTEE**

Mr David Brown
National *Design Director*
Mr Grant Harrison
*Equity and Funding Manager*
Mr Stephen Hall
*CEO Childcare*
Mrs Anne Jamieson
*General Manager Qld*
Mr Scott Springer
*Financial Controller*
Mr John Tatler
National *Construction Manager*
Mr Riaz Rezvani
*Residential Housing Manager*
Mr Chris Betts
*Vic and SA Development Executive*
Mr Sam Renauf
*NSW Development Executive*
Mr Gary Kordic
*Qld Development Executive*
(Sunland's Executive Committee meets Monthly)

## 2. COMPOSITION OF THE BOARD

*ASX CGC Principle No. 2.1*
Structure the Board to add value
*Council Recommendation No. 2.1*
A majority of the Board should comprise independent directors.

### Sunland's Practice

Sunland's existing Board structure comprises three non-executive directors (two of whom are independent) and three executive directors. The current structure does not comply with the ASX guidelines for a majority of independent directors, however the Board believes the expertise of the individual members of the Board provides optimum management and oversight on behalf of and in the best interests of shareholders. Sunland intends to move progressively to compliance as and when appropriate independent non-executive directors are identified with the relevant expertise to enhance the current skills of the Board.
Directors may seek independent advice on business acquisitions or for strategic direction. Directors having a conflict of interest in relation to a specific issue of business must table such interest prior to the Board discussing the issue. If appropriate the Board may ask that particular director to be absent from the discussion, and excluded from voting.
Sunland's executive management team comprises 3 executive directors, with monthly meetings held to review the Group's business and accordingly recommend issues to the bi-monthly Board meetings.

The Directors of the Company in office at the date of this statement are set out below.

### Non-executive Directors

Mr John Leaver *Director since March 1994*
Mr Garry Rothwell *Director since July 2001*
Mr Terry Jackman *Director since May 2004*

### Executive Directors

Mr Soheil Abedian *Director since March 1994*
Mr Sahba Abedian *Director since January 2001*
Mr Craig Treasure *Director since April 2002*

### Appointment, re-election and retirement

The directors may appoint a person to be a director, either in addition to the existing directors or to fill a casual vacancy provided there are not less than 3 and not more than 10 directors at any one time. A person may also be elected to the office of director if that person has been nominated for election, or if a member has expressed his or her desire to be a candidate for election. At each AGM, any such director appointed must retire from office at the next AGM following his or her appointment. In addition to this, one third of the remaining directors and any other director who will have been in office for 3 or more years and for 3 or more AGMs since he or she was last elected, must retire from office. The directors required to retire at the AGM are the directors who have been longest in office since their last election. Any director retiring from office is eligible for re-election. If the office vacated is not filled, then that retiring director is taken to have been re-elected, unless it is expressly resolved not to fill that vacated office, or a resolution is put and lost for the re-election of that director.

### Remuneration of Directors

Directors are paid remuneration as determined by the company at a general meeting. Remuneration may be either a stated salary or a fixed sum determined at the meeting or both, or a share of a fixed sum determined at the meeting to apply to all directors, to be divided between them as they agree or failing agreement, equally. If a director performs extra services or makes special exertions in relation to the affairs of the company, they may be entitled to a special remuneration, either in addition to or as a substitution for that director's remuneration. In addition to this, the directors may decide to pay a pension or lump sum payment in respect of past services, for those directors who have died or otherwise have ceased to hold office.
To support the Board in its responsibilities, an Audit Committee, Remuneration Committee and a Nominations Committee have been established. The objectives of the Audit Committee are summarised in CGC principle No. 4.

*Council Recommendation No. 2.2*
The chairperson should be an independent director

### Sunland Practice

The Group's chairman, Mr John Leaver is a non-executive director and has a background of over 25 years experience in stockbroking and capital management. While not considered to be independent within the definition of the Guidelines because of his substantial shareholding in the Company, John provides invaluable experience to the Group.

*Council Recommendation 2.3*
The roles of the chairperson and chief executive officer should not be exercised by the same individual.

**Sunland Practice** *Sunland Complies*
Chairman, Mr John Leaver and Joint Managing Directors, Messrs. Soheil and Sahba Abedian have separate roles. The chairman is responsible for guiding the Board in its duties. The roles of Messrs. Soheil and Sahba Abedian along with National Director - Land and Housing, Mr Craig Treasure are the day to day management of the Group's business activities as outlined in the schedule per section 1 (Roles and Responsibilities).

*Council Recommendation 2.4*
The Board should establish a Nomination Committee.

**Sunland Practice** *Sunland Complies*
A Nominations Committee for assessing new Board candidates and making recommendations to the Board has been established with National Director - Land and Housing, Mr Craig Treasure as the chairman of this committee, with recommendations tabled to the Board for consideration, further evaluation and formal approval.

## 3. ETHICAL AND RESPONSIBLE DECISION MAKING

*ASX CGC Principle No. 3*
Promote ethical and responsible decision making

*Council Recommendation 3.1*
Establish a code of conduct to guide the directors, chief executive (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

i. the practices necessary to maintain confidence in the Company's integrity
ii. the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

**Sunland Practice** *Sunland complies*
The Group has in place human resources policies and codes of conduct as part of employment contracts. This includes the need for all directors, management and staff to respect the integrity of the Group and are expected to comply with the performance duties outlined in their respective schedule of duties, along with a standard code of conduct regarding internet access and use, and privacy act (SPAM) guidelines. Moral conduct during office hours, and respect for the assets of the Group used during office hours.
The hotels division and construction division of the Group comprise the standard Group code of conduct in addition to specific ethics expected in their industry.
Further the appointment of an inhouse legal counsel in the 2003/2004 year has enabled the introduction of a compliance manual for the Group and its individual divisions.

Corporate Governance Statement | FOR THE YEAR ENDED 30 JUNE 2004

Joint Managing Director, Mr Soheil Abedian is also an Honorary Professor at Griffith University (Gold Coast) and lectures in business ethics.
*Council Recommendation 3.2:*
Disclose the policy concerning trading in company securities by the directors, officers and employees.

**Sunland Practice** *Sunland Complies*
The Group's top 20 shareholders include members of the Board including Chairman, Mr John Leaver, Joint Managing Directors, Messrs Soheil and Sahba Abedian and National Director - Land and Housing, Mr Craig Treasure. Further the Group's executives have a share option scheme in place which can be exercised proportionally over a 5 year period.
Accordingly, directors must advise the General Manager or Company Secretary of any intention to exercise to ensure that it does not conflict with a reporting announcement to shareholders whereby it would be seen that directors have acted upon prior market information. Similarly members of the executive with knowledge of reporting disclosures - must first consult the Company Secretary/Financial Controller before share activity is undertaken. Directors must advise the Group's General Manager, or company secretary of any share activity within 5 business days after the trading to enable the Group to advise the ASX.
The following policy outlining the Group's practice which incorporates the above procedure for all ASX announcements is in place.

### Trading Policy for Directors

Sunland Directors may only trade in Sunland shares during nominated trading 'windows' which are typically of four weeks duration and follow Sunland's announcements of its half year and annual profit results, and following the Annual General Meeting. At other times the directors may trade with the approval of two non-executive directors, one of which must be the Chairman. Trading in Sunland shares at any time also requires the approval of two non executive directors, one of which must be the Chairman. However, irrespective of these approval stipulations, if an individual is in possession of any non-public, price-sensitive information relating to Sunland, then that person is prohibited from trading.

## 4. INTEGRITY IN FINANCIAL REPORTING

*ASX CGC Principle no. 4*
Safeguard integrity in financial reporting
*Council Recommendation 4.1*
Require the chief executive officer (or equivalent) and chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

**Sunland Practice** *Sunland Complies*
The Company complies with ASX and ASIC requirements for the timely and accurate reporting of the Group's financial activities, ensuring that the Group discloses all information which has a material impact on shareholders. This includes the Annual Financial Statements, Half Yearly Reports, revised forecasts, new site acquisitions and changes in Directors interests.
The Joint Managing Directors along with the Company Secretary and Financial Controller present bi-monthly updates to the Board on the financial performance of the Group based on the current and projected cash flow. Further the Joint Managing Directors along with the National Director - Land and Housing are provided with the half yearly and annual statements of the Group for comments prior to tabling at the Audit Committee for recommendation and ratification at a Board level. Once ratified results are announced to the ASX.

*Council Recommendation 4.2*
Establish an Audit Committee

**Sunland Practice** *Sunland Complies*
Sunland established an audit committee in December 2002.

*Council Recommendation 4.3*
Structure the audit committee so that it consists of:

– only non executive directors
– a majority of independent directors
– an independent chairperson, who is not chairperson of the Board
– at least three members

**Sunland Practice** *Sunland complies with transitional arrangements from May 2004*
Sunland's audit committee current structure comprises

– Mr Garry Rothwell (an independent non executive director). **Chairman**
– Mr Terry Jackman (who joined the Board as an independent non executive director in May 2004)
– Mr Scott Springer, Financial Controller (Secretary to the audit committee)

Permanent invitees include Mr Craig Treasure, executive director and National Director Land and Housing, Ms Despina Priala, inhouse Legal Counsel, Mr Grant Harrison, Company Secretary and Mrs Anne Jamieson, General Manager along with the Group's external auditors Ernst and Young.
Sunland restructured its committee in May 2004 with the appointment of Mr. Jackman taking the position of non-executive director as a member on the committee. However, the audit committee felt that the continued involvement of Mr Treasure as a permanent invitee would provide valuable contributions to the committee.
*Note: The Audit Committee's quorum to proceed requires the attendance of Ernst and Young at every meeting.*
Sunland complies with the transitional arrangements approved by the ASX, as the Group seeks to enhance the membership of its current audit committee to achieve full compliance by 1 July 2005.

*Council Recommendation 4.4:*
The audit committee should have a formal operating charter

Sunland Practice *Sunland Complies*
The primary role of the committee is to assist the Board in
- Monitoring corporate risk management and compliance processes
- Ensuring that Sunland's code of conduct complies with all statutory and fiduciary requirements.
- Fulfilling the Board's functions relating to corporate and scheme accounting and reporting practices and financial and accounting controls; and
- Ensuring best practice is achieved as far as possible in the implementation of corporate policies and compliance processes.

Responsibilities of Audit Committee
The responsibilities of the Committee include the following:
- To review corporate accounting and financial reporting practices and controls.
- To review the half year and annual financial statements before submission to the Board focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments, ASX and legal requirements.
- To review the appointment of company auditors.
- To review audit policy, annual audit plans and liaise with external auditors.
- To review and approve company policy in relation to property acquisition and due diligence processes.
- To review corporate risk management processes including an ongoing assessment of the adequacy of internal control systems.
- To review governance issues relating to corporate relationships, joint ventures and investment management activities, including review of related party issues as required.
- To ensure corporate compliance with statutory obligations.
- To review and give the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in monitoring performance and for inclusion in financial statements.
- Consider any other matters it considers appropriate or as are referred to it by the Board from time to time.

## 5. CONTINUOUS DISCLOSURE TO ASX
*ASX CGC Principle No. 5:*
Make a timely and balanced disclosure
*Council Recommendation 5.1*
Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

Sunland Practice *Sunland Complies*
A policy is established to ensure that any issues regarding Listing rules and/or material change in the Company's business including, but not limited to project budget or delivery changes, site acquisition, revised forecasts, sales performance, changes in directors interests, half yearly and annual results, and shareholder information is announced through the Group's online announcements to ASX. Shareholder specific information such as Dividend details, half yearly and annual results are also posted on the Group's website. The Group's General Manager and Company Secretary are responsible for such announcements.

## 6. COMMUNICATION WITH SHAREHOLDERS
*ASX CGC Principle No. 6*
Respect the rights of shareholders
*Council Recommendation 6.1*
Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

Sunland Practice *Sunland complies*
The Board of Directors aims to ensure that shareholders are informed of all major developments affecting the Group, with regular announcements to the ASX on business activities of the Group. Sunland also communicates frequently via the media on all projects and financial updates. The Group has a comprehensive website which tables all major shareholder communication per continuous disclosure requirements to the ASX, including half yearly and annual results, dividend details and any material change in the Group's business activities. The Group changed its registry in December 2003 to Computershare Registry who facilitate the delivery of reports and advice to shareholders. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's direction, strategy and goals. The shareholders are responsible for voting on the appointment/re-election of Directors.

*Council Recommendation 6.2*
Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the independent auditors report.

Sunland Practice *Sunland Complies*
Sunland ensures that its external auditors Ernst and Young are present at the AGM.

## 7. RISK MANAGEMENT
*ASX CGC Principle No. 7*
The Board or appropriate Board committee should establish policies on risk oversight and management

Sunland Practice *Sunland complies*
One of the objectives of the audit committee is the documentation of a risk management profile for all areas of the Group's business and this has been implemented under the guidance of National Director Land and Housing. This profile is updated via the Executive Committee six monthly and tabled at the following Board meeting.

Sunland implemented risk management tools under the following categories:
Corporate Governance
Business Operations
Project & Construction Management
Human Resources
Market/Contracts
Revenue/Finance
Costs
Reputation/Media
Legal
Growth Areas/New Opportunities
Quality Assurance
Information Technology

In addition, management through its monthly meetings, thoroughly assesses current and future developments, to enhance its risk mitigation strategies and to minimise the adverse impacts which could emanate from the following key risks:

| | |
|---|---|
| **Market Risk** | monitoring the impact of economic and/or industry segment cycles |
| **Finance Risk/ Cash Flow** | debt management and the impact of sales and debt levels on cash flow and balance sheet. Sunland has an interest rate hedging policy which follows a portfolio approach, splitting investment and development exposures and taking into account the tenor associated with the various risk exposures. |
| **Management Risk** | managing all human resources and ensuring quality staff and minimising the risk associated with the loss of key staff. |
| **Construction Risk** | cost and quality of construction, safety and industrial risks |

Sunland's de-risking of projects:
Sunland has introduced a new Risk Management Profile for managers and staff to monitor areas of risk based on the likelihood of occurrence and potential impact. Sunland's exit strategies are predetermined for each project. Sites are acquired and enhanced through rezoning and with project concepts supported by development approvals, minimal cash exposure is achieved and Sunland is in a low-risk position. Equity is established and pre-sales are often in place prior to seeking debt funding. These strategies are also part of an ongoing assessment for each project. They ensure that Sunland has enhanced return on equity and an exit strategy in place from commencement, thus minimising cash flow and market risks.

Legal Compliance
With the establishment of the Group's in-house legal counsel the preparation of compliance, policies and procedures is conducted on an ongoing basis.

Hotel risk management
While performance of the hotels is monitored daily, the operations and forecasts of the hotels are reviewed weekly and reported to the Board bi-monthly. There is also a constant assessment of the impact of global and domestic events on the tourism industry in Australia, and the direct implication for the market mix of the hotels. The annual budget is prepared with a comprehensive SWOT analysis undertaken as part of the 5 year business plan.

*Council Recommendation 7.2*
The chief executive officer and the chief financial officer should state in writing that:
7.2.1 The statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
7.2.2 The Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects

Sunland's Practice *Sunland Complies.*
The implementation of strategies to mitigate risk both externally and internally is the responsibility of Board and Management. The Executive management meetings chaired by Joint Managing Director, Mr Soheil Abedian meet monthly to ensure close monitoring of each and every project along with the review of critical business issues. This includes cash flow forecasts, debt management, risk management and project status, sales rates, construction progress/costs to complete as well as the assessment of future developments and feasibilities.
Sunland's National Director - Land and Housing Mr Craig Treasure is also responsible for the regular update and maintenance of the Group's risk profile with input from members of the Executive Committee. On a six monthly basis this is tabled with the joint managing directors and executive management Group for review before presenting a written statement to the Audit Committee and Board.

## 8. PERFORMANCE
*ASX CGC Principle No. 8*
Encourage enhanced performance
*Council Recommendation 8.1:*
Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.

Sunland Practice
The Board vests the responsibility of assessing annual performance reviews with the joint managing directors in association with National Director - Land and Housing. Divisional heads are required to provide written updates on their respective business responsibilities as part of project and operational updates in Board papers. Further these divisional heads along with the joint managing directors and CEO Qld personally present updates at each Board meeting.
The Group also has a quality assurance procedure in place which documents complaints (with follow up action) along with appraisal letters. Similarly the hotels monthly reports incorporate guest questionnaires which enable any issues requiring attention to be immediately addressed. It is also a mechanism for evaluating individual performance in all divisions.
The Board is responsible for the performance review of the executive directors (Mr, Soheil Abedian, Mr Sahba Abedian and Mr Craig Treasure).

## 9. REMUNERATION

*ASX CGC Principle No. 9*

Remunerate fairly and responsibly

*Council Recommendation 9.1*

Provide disclosure in relation to the company's remuneration policies to enable investors to understand the costs and benefits of those policies and;

the link between remuneration to directors & key executives & corporate performance

Sunland Practice *Sunland Complies*

Under the Company's Articles of Association, the Directors are to be paid as remuneration for ordinary services such sum as may from time to time be determined by a meeting of members. In accordance with the Articles of Association such sum is to be divided among them in such proportion and manner as the Directors agree and, in default of agreement, equally. Executive directors are to be remunerated as executives by subsidiary companies and will not participate in any Directors' fees paid by the company, which will be divided solely among the Non-Executive Directors. At the date of this report Non-Executive Directors were Mr J S Leaver, Mr T Jackman and Mr G Rothwell. Those fees are disclosed elsewhere in this report. The Group recently moved to a 12% superannuation contribution which was awarded to all employees and directors paid through the payroll.

*Council Recommendation No. 9.2*

The Board should consider a remuneration committee

Sunland Practice *Sunland Complies*

The Board has vested the responsibility of remuneration with the Joint Managing Directors along with the National Director - Land and Housing in line with a performance review assessment conducted annually, as well as upon employment of new management. Accordingly, the Remuneration Committee comprises Executive Directors, Mr Soheil Abedian, Mr Sahba Abedian and Mr Craig Treasure. Non Executive Director, Mr Garry Rothwell provides advisory support to this committee.

The Group has an executive share option scheme in place, with all options issued subject to Board approval, and follow a 3 month probation period. A strike price is based on market price on the day of Board approval (5 day volume weighted average) + 15%.

The plan is outlined in the Group's financial report and summarised as:

An eight year option scheme where employees must be with the Group for a minimum of 3 years before they can commence exercising options. Options can be exercised proportionally over the ensuing 5 years. Should an executive leave the Group all options outstanding are foregone.

### Superannuation Policy

On July 1 2004 the Group implemented a 12% superannuation policy- to be paid to all employees as part of salary packages. The Group feels strongly about the growth of employee superannuation as savings for retirement and as a consequence will review the superannuation policy each year.

*Council Recommendation 9.3*

Clearly distinguish the structure of non-executive directors' remuneration from that of executives

Sunland Practice *Sunland Complies*

The remuneration of non executive directors is reviewed by executive directors ensuring that their remuneration is in accordance with similar industry groups. Further the implementation of the superannuation policy will flow to those non-executive directors paid through the payroll with compensation accordingly for those not remunerated through the payroll. All non-executives are remunerated equally.

*Council Recommendation 9.4*

Ensure the payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders

Sunland Practice *Sunland Complies*

Sunland recognises the value of maintaining long term employees and introduced a share option scheme on 28 November 1998.

Sunland's constitution enables the implementation of an executive share option scheme. The share plan was approved by directors and announced to the ASX at the Annual General Meeting on 28 November 1998.

## 10. INTERESTS OF STAKEHOLDERS

*ASX CGC Principle No. 10*

Recognise the legitimate interests of stakeholders

*Council Recommendation 10.1*

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders

Sunland Practice *Sunland Complies*

Under the direction of the joint managing director Mr Soheil Abedian, whose responsibilities include liaison with stakeholders either directly to corporates, institutions, and via representative brokers and analysts a regular update on the Group's business activities is presented. The Group's corporate advisor ABN Amro Morgans is instrumental in supporting the communication efforts of the Group to ensure it complies with its obligations to key stakeholders. This practice is carried out as part of Principles 3 and 6 under ASX guidelines.

# Financial Statements

Sunland Group Limited

FOR THE YEAR ENDED 30 JUNE 2004

ABN 65 063 42 9532

The directors present their report together with the financial report of Sunland Group Limited ("the Company") and the consolidated entity ("the Group"), being the Company and its controlled entities, for the year ended 30 June 2004 and the independent audit report thereon.

## DIRECTORS

The names and details of the Company's directors in office during the year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

**John Leaver**

Chairman (Non-Executive Director) - Director since March 1994.

B.Ec. (University of Sydney), Aged 60.

Appointed as Chairman in 1994, Mr Leaver is a licensed stockbroker with more than 20 years experience. He has specialist skills in the assessment of new projects and capital raisings. Mr Leaver is also Managing Director of Continental Venture Capital Limited.

**Garry Rothwell**

Non-Executive Director - Director since July 2001.

LFAPI, FAICD Aged 59

Mr Rothwell brings a wealth of property and banking expertise to the Group's Board having held senior positions with Westpac Banking Corporation, Indosuez Australia, Wardley Australia and Citicorp Australia. He is a director of James Fielding Capital, and a director of Acacia Securities Limited and the Property Industry Foundation. Mr Rothwell is also a life fellow of the Australian Property Institute, and a fellow of the Australian Institute of Company Directors.

**Terry Jackman**

Non-Executive Director - Director since 1 May 2004 Aged 63

Mr Jackman brings a wealth of tourism, leisure and entertainment expertise to the Board, with a career stemming from an early involvement in the entertainment industry through Birch Carroll and Coyle Cinemas, and later becoming the Managing Director of Hoyts Theatres. He currently holds a number of Board positions including Chairman of Tourism Queensland, and Director of Prime Television Limited.

**Soheil Abedian**

Executive Director - Director since March 1994.

Dip Arch Masters Degree in Architecture with Honours (University of Graz, Austria), Aged 55. Honorary Professor Griffith University (Business School - Gold Coast)

Mr Soheil Abedian was educated in Vienna, Austria and moved to Queensland's Gold Coast in 1983 where he co-founded Sunland Homes Pty Limited to develop luxury housing projects. He has over 20 years experience in architectural design, construction and project management in a wide range of developments. Mr Soheil Abedian is Joint Managing Director.

**Sahba Abedian**

Executive Director - Director since January 2001.

LLB, (Bond University) Aged 28

Mr Sahba Abedian is a qualified lawyer and joined Sunland Group Limited in April 1998 as legal counsel/company secretary. In January 2000, he established the Group's Victorian operations and is now Joint Managing Director along with Mr Soheil Abedian. He was admitted into the Supreme Court of Queensland in 1998 as a solicitor.

**Craig Treasure**

Executive Director - Director since April 2002

Bachelor of Applied Science - Surveying (QUT) Aged 42

Mr Treasure was the principal of Treasure & Associates providing surveying and town planning consultancy. In 1998 he joined the Sunland Group where he established the Melbourne operations with Joint MD, Sahba Abedian, prior to returning to Queensland. He is currently National Director - Land and Housing, developing Sunland's expansion into Brisbane, regional Queensland and Northern New South Wales.



## DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| | Remuneration Committee Meetings | Remuneration Committee Meetings | Nominations Committee Meetings | Nominations Committee Meetings | Board Meetings | Board Meetings | Audit Committee Meetings | Audit Committee Meetings |
|---|---|---|---|---|---|---|---|---|
| Director | A | B | A | B | A | B | A | B |
| Mr John Leaver | - | - | 1 | 1 | 6 | 6 | - | - |
| Mr Soheil Abedian | 2 | 2 | 1 | 1 | 6 | 6 | - | - |
| Mr Sahba Abedian | 2 | 2 | 1 | 1 | 6 | 6 | - | - |
| Mr Garry Rothwell | 1 | 2 | 1 | 1 | 6 | 6 | 4 | 4 |
| Mr Craig Treasure | 1 | 2 | 1 | 1 | 6 | 6 | 4 | 4 |
| Mr Terry Jackman | - | - | 1 | 1 | - | 1 | - | - |

(A) Number of meetings attended.

(B) Number of meetings held during the time the director held office during the year.

The Audit Committee was established and had its first meeting 13 December 2002.

## PRINCIPAL ACTIVITIES

Sunland Group Limited is a company limited by shares that is incorporated and domiciled in Australia. The principal activities of the consolidated entity during the course of the financial year were property development and construction together with hotel investment, operations and management rights.

There was no significant change in the nature of those activities during the year.

## EMPLOYEES

The consolidated entity employed 860 employees as at 30 June 2004 (2003: 632 employees).

## CONSOLIDATED RESULT

The consolidated profit after income tax for the year attributable to members of Sunland Group Limited was $55,216,000 (2003: $24,462,000).

## REVIEW AND RESULTS OF OPERATIONS

### LAND SUBDIVISION

The Group is currently developing a total of 3,109 land allotments across the following projects:

Bushland Beach

**Townsville (Qld) Total realisable sales in the project $200m**

2000 lots acquired for staged development on a 320 hectare parcel at Bushland Beach Estate - one of Townsville's northern beach suburbs. The site is zoned residential/commercial and will yield 3ha in commercial, 5.5 ha in caravan park/tourist facilities and 230 ha allocated to residential allotments. One third of the allotments will have ocean views. 100 allotments will be completed by June 2005.

Sea Breeze Estate

**Moreton Shores (Qld) Total realisable sales in the project $18.5m**

91 lot subdivision, at Cleveland. Development approval received. Staged launch commenced June 2003 - with 7 lots available.

Arbour on the Park

**Taylors Road (Vic) Total realisable sales in the project $83m**

592 lot subdivision. Stages 1 - 4 comprising 173 lots launched in early July 2003, with only 35 lots left for sale. Stage 5 comprising 43 lots released April 2004 - 5 sold. Total released - 216 with balance of project to be developed over next 3-4 years - completion approx 2007.

Clover Hill

**Somerset (Qld) Total realisable sales in the project $42m**

200 lot Residential and Housing estate. Development approval obtained late 2003, with 52 lots released in February 2004. 16 lots sold to date.

Picton

**NSW Total realisable sales in the project $56m**

141 one acre lots - rural residential allotments south west of Sydney. Development approval to be obtained. Unconditional contract, with final settlement of site April 2005.

Elof Road

**Caboolture (Qld) Total realisable sales in the project $10.2m**

85 Res A allotments. Development approval to be obtained by late 2004, with works to commence prior to Christmas 2004. Completion March 2005.

Pending Land Acquisitions

In June 2002, the Group entered into an option agreement for 800 ha (4,000 dwellings) at Port Macquarie with 7 km beachfront for $11.5m, (subject to NSW Government approval).

## RESIDENTIAL HOUSING

The residential housing portfolio comprises 1039 products

Signature at Sanctuary Lakes Victoria

**Parcel 1 Total realisable sales in the project $47m**

114 dwellings in Residential Housing estate to be developed in two stages. Parcel one launched in February 2003 with 58 homes settled and 22 unconditionally sold.

Signature at Sanctuary Lakes Victoria

**Parcel 2 Total realisable sales in the project $67m**

128 dwellings to be launched June 2004. This parcel will be a six stage development to be completed over a three year period.

Arbour on the Park

**Taylors Road (Vic) Total realisable sales in the project $45m**

120 homes (as part of 592 lot subdivision - refer land estates). Project to be developed over three stages - completion approx 2005.

River Springs Country Club

**Nerang (Qld) Total realisable sales in the project $65m**

288 zero lot houses and villas. Sold out and settled in early 2004.

EastHill Residences The Glades

**(Qld) Total realisable sales in the project $80m**

185 villas and zero lot houses. This project is a joint venture with the international development company Thakral, developed in 7 stages on Glades International Golf Course. Stages 1- 4 sold and settled. Only two homes remain in stages 5A and 6A - with stage 5A settled in May 04. Balance of stages 5B and 6B (42 homes) -released with only 19 homes remaining for sale.

Bourton Place

**Merrimac Gold Coast Total realisable sales in the project $12m**

40 duplexes. Construction and marketing commenced late 2003 with 27 sold to date.

Reserve Road (I & II)

**Coomera (Qld) Total realisable sales in the project $15m**

160 residential houses as part of two development parcels and Childcare site. Development approval received, with marketing and construction to commence in June 2004.

Castlebrae Castlehill

**Sydney Total realisable sales in the project $6m**

4 luxury homes to start construction in October 2004.

## MEDIUM DENSITY RESIDENTIAL (LOWRISE)

The medium density portfolio currently totals 286 products

Glasswing Condominiums The Glades

**(Qld) Total realisable sales in the project $50m**

96 condominiums - Stage 1 (32 condos) commenced marketing and construction October 2003. Completion November 2004.

Newstead Terraces

**Brisbane (Qld) Total realisable sales in the project $33m**

61 apartments - medium density development in Newstead river precinct. Development approval received in May 2003. Marketing and construction commenced late August 2003 with completion by December 2004. 34 sales to date.

Louisa Road

**Birchgrove (NSW) Total realisable sales in the project $50m**

12 luxury residential apartments. Development approval expected by September 2004.

Edmonstone Road

**Bowen Hills (Qld) Total realisable sales in the project $64m**

115 units. Pending development approval.

Cammeray Road

**Cammeray (NSW) Total realisable sales in the project $9m**

2 luxury villa apartments. Development approved - construction to commence September 2004. Completion September 2005.

## MULTI-STOREY RESIDENTIAL

The highrise division currently comprises 1,851 products, with notably less than 20% of the portfolio available for sale and a delivery program of 2006/2007.

Q1 - World's Tallest Residential Tower

**Gold Coast (Qld) Total realisable sales in the project $445m**

A joint venture between Sunland Group Limited and Anderson family. An 80 storey residential tower in the heart of Surfers Paradise. 527 units and roof top observation tower with 1,200m2 of retail. Construction commenced 1 July, 2002. 58 apartments left for sale. Completion August/September 2005.

Lumiere

**Marine Parade Labrador (Qld) Total realisable sales in the project $62m**

92 luxury unit development comprising 22 storeys. Construction commenced in October 2002. Only 4 apartments left for sale - with penthouse and sub-penthouses sold out first. Completed April 2004 - 92% of the building has settled.

Circle on Cavill - Heart of Surfers Paradise Redevelopment

**(Qld) Total realisable sales in the project $492m**

1.4 hectare land acquired in early 2001 from Japanese company Jimna Group. Development approval received in November 2002 for multi-use residential/retail development.

637 apartments + 11 home offices (648)

| | | |
|---|---|---|
| South Tower | 49 storey tower | (272 apartments) launched in December 2002 |
| North Tower | 69 storey tower | (365 apartments) launched in April 2003 |
| *Sales to date* | South Tower | 215 (out of 272 apartments) |
| | North Tower | 228 (out of 365 apartments) |

Construction commenced October 2003. Completion of South Tower - mid 2006, Completion of North Tower - early/mid 2007.

Yve

**St Kilda Road (Vic) Total realisable sales in the project $180m**

This site was purchased in March 2001. 210 condominiums in a twin tower luxury development, with marketing commenced in early June 2003. 46 apartments are unsold (at the lower levels). Construction commenced in February 2004 - completion due early 2006.



Legends Hotel

**Gold Coast (Qld) Total realisable sales in the project $65m**

205 apartments (403 keys). Strata titled in July 2003 - 184 settled and only 16 now unsold. Retail sold. *Note: Management is retained by Sunland Hotels and Resorts.*

Avalon

**Wahroonga Place, Surfers Paradise Total realisable sales in the project $107m**

This site was purchased in October 2003. 170 units proposed with development approval received. Construction commenced July 2004. Completion April 2006. Pre-release marketing commenced in January 2004 with 23 sales to date.

## RETAIL & COMMERCIAL

Circle on Cavill

As part of integrated residential development 9000 sq m retail and 1000 sqm commercial area.

Lease documentation with key anchor tenants (including major supermarket, furniture concept store, flagship surf store and mega-pharmacy) currently being finalised with strong interest from smaller specialty tenancies. Construction commenced in October 2003 with completion / opening in December 2005.

Q1 Observation Deck

Sunland has acquired 50% of the observation deck/merchandise store and will manage the Observation Deck (capacity 400 persons).

## TOURISM & LEISURE MANAGEMENT (INCORPORATING MANAGEMENT RIGHTS)

Managed by Sunland Hotels and Resorts

This division currently comprises 772 keys under management and operation through existing activities of Palazzo Versace, Legends and Lumiere. In August 2005, 527 keys will be added through Q1. By mid 2007 Sunland will have some 2,200 keys under management.

Legends Hotel **Serviced apartments**

205 all suites resort hotel in Surfers Paradise which is now in its 6th year of operation (a total of 403 keys under management).

Palazzo Versace **Hotel**

The hotel comprises 205 rooms (plus 72 condominiums) and opened in September 2000. This hotel is the first branded hotel by the renowned fashion house Gianni Versace. Palazzo Versace is 100% owned by Sunland Group Limited and operated by Sunland Hotels and Resorts a subsidiary of Sunland Group Limited.

Lumiere **Marine Parade Labrador 92 apartments**

Management of the apartment building commenced operations in April, 2004.

Q1 **527 apartments**

Sunland has acquired the management rights for Q1. Operation will commence in August 2005.

Circle on Cavill **637 apartments**

The first tower of Circle will commence operation in mid 2006, followed closely by the second tower - end of 2006/early 2007.

Avalon **Wahroonga Place Surfers Paradise 170 riverfront apartments**

Marketing commenced. Development approval received and construction commenced August 2004.

For accounting purposes - Sunland does not include the value of the management rights for each highrise complex - current projects operated include Lumiere, Legends and Palazzo Versace with an inherent value of $14m. Q1 and Circle on Cavill will enhance this amount further and will come in between 2005 and 2007.

## CHILDCARE CENTRES

In early November 2003 the Group announced the addition of a new division Childcare Centres, with the Group currently seeking to incorporate Childcare centres into its residential estates under development, as well as acquiring existing centres, and new development sites. Where appropriate, Sunland will also incorporate centres within resort residential highrise apartments, recognising the need for Childcare during vacation.

Sunland's Childcare centre program will incorporate early childhood, before and after school care, vacation and resort care, academic tuition and parenting programs. It is envisaged that the Group will have its first Childcare centre operational in the latter part of 2004/early 2005. Income from this division has not been factored into the Group's forecast until 2006.

## DIVIDENDS

The Company paid the 2003 final ordinary fully franked dividend of 3.0 cents per share amounting to $5,137,800 on 3 November 2003.

The Company declared on 1 July 2004 a final ordinary dividend of 6.0 cents per share, amounting to $12,874,505 and franked to 100% with class C (30%) franking credits in respect of the year ended 30 June 2004. This was paid on 30 July 2004.

As the dividend had not been declared at year-end, it has not been recognised in the financial statements at 30 June 2004.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the year under review not otherwise disclosed in this report or the consolidated financial reports.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its property development activities. The directors are not aware of any significant breaches during the period covered by this report.

## SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 2 July 2004 the directors declared a dividend payment of 6 cents fully franked with an effective record date of 16 July 2004 and a payment date of 30 July 2004.

On 23 July 2004 Sunland Group Limited entered into an agreement for a land development at Mackay "Shoal Bay". Sunland has signed a $11.9m conditional contract for a 58.3 hectare site that will yield approximately 350 allotments over a five to six year period.

On 17 August 2004 Sunland Group Limited acquired a 12 hectare site at Forster in New South Wales for $14.9m. The site has a current development approval for 119 residential allotments.

The financial effects of the above transactions have not been brought to account in the financial statement for the year ended 30 June 2004. The above transactions represent acquisitions made in the normal course of business.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity will complete existing projects and continue to pursue other quality property developments to enhance profitability. The Group has a number of projects at hand which provide the foundation for the current year's profitability.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because the directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the consolidated entity.

## DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The Directors have agreed that under the Company's Constitution, the directors are to be paid remuneration for ordinary services such sum as may from time to time be determined by a meeting of members. The remuneration policy is to ensure the remuneration package of the Board Members and Senior Executives properly reflects the person's duties and responsibilities; and the remuneration is competitive in attracting and motivating people of high quality.

Details of the nature and amount of each major element of the emoluments of each director of the Company, and each of the five named officers of the Company and the consolidated entity receiving the highest emoluments are:

The company has adopted the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and the pending AASB 2 "Share Based Payment" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2003. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e., forfeitures). Included in the amounts disclosed above as option grant emoluments in relation to the 2004 financial year, are amounts related to options that vested during or over the 2004 financial year, which were granted and therefore disclosed as part of emoluments in prior years as well.

Options granted as part of director and executive emoluments have been valued using a Black Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

| | Annual Emoluments | | | Long Term Emoluments | | | |
|---|---|---|---|---|---|---|---|
| | Base Fee | Bonus | Other | Options Vesting During the Current Period | | | Superannuation |
| Directors | $ | $ | $ | Number Granted | Amortised Cost $ | % of Remuneration | $ |
| **Non Executive** | | | | | | | |
| John Leaver | 65,400 | - | 7,564 | - | - | - | - |
| Garry Rothwell | 60,000 | - | 7,564 | - | - | - | 5,400 |
| Terry Jackman | 10,000 | - | 7,564 | - | - | - | 900 |
| **Executive** | | | | | | | |
| Soheil Abedian | 440,000 | - | 7,564 | - | - | - | 83,200 |
| Craig Treasure | 215,566 | - | 14,736 | 250,000 | 45,000 | 15.7% | 11,002 |
| Sahba Abedian | 220,185 | - | 7,564 | - | - | - | 19,817 |

Senior Executives (Excluding Directors) of the company and the consolidated entity

| | Annual Emoluments | | | Long Term Emoluments | | |
|---|---|---|---|---|---|---|
| | Base Fee | Bonus | Other | Options Vesting During the Current Period | | Superannuation |
| | $ | $ | $ | Number Granted | Amortised Cost $ | $ |
| John Tatler | 113,257 | - | 7,564 | 125,000 | 20,000 | 91,743 |
| David Brown | 147,161 | - | 11,647 | 250,000 | 40,000 | 22,837 |
| Anne Jamieson | 135,232 | - | 10,669 | 125,000 | 20,000 | 18,214 |
| Grant Harrison | 138,440 | - | 7,564 | 125,000 | 20,000 | 12,460 |
| Scott Springer | 79,790 | | 7,564 | 37,500 | 10,938 | 7,181 |

## DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options over such shares of the Company, as notified by the directors to the Australian Stock Exchange in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as follows:

| Director | Ordinary Shares | Unlisted options over Unissued Ordinary Shares |
|---|---|---|
| Mr John Leaver | 41,584,413 | - |
| Mr Terry Jackman | 75,000 | - |
| Mr Soheil Abedian | 54,306,663 | - |
| Mr Sahba Abedian | 5,786,250 | - |
| Mr Craig Treasure | 1,846,204 | 250,000 |

## SHARE OPTIONS

At the date of this report, unissued ordinary shares of the company under option are:

| Expiry date* | Exercise price | Number of options |
|---|---|---|
| 26 November 2004 | $0.30 | 250,000 |
| From 1 January 2008 to 1 July 2009 | $0.45 | 4,400,000 |
| From 1 January 2008 to 1 July 2009 | $0.50 | 700,000 |
| 2 April 2008 | $0.55 | 300,000 |
| 2 April 2008 | $0.56 | 300,000 |
| 28 October 2010 to 13 January 2011 | $0.60 | 1,500,000 |
| 14 October 2010 to 5 May 2011 | $0.70 | 900,000 |
| 28 August 2011 to 19 November 2011 | $1.20 | 1,400,000 |
| 1 October 2010 to 27 October 2011 | $1.23 | 900,000 |
| | | 10,650,000 |

*The options offered to executives are exercisable progressively over a five-year period from the third anniversary of their employ. The first of these options expire on the earlier of the employee's termination or progressively from 1 January 2008 until 19 November 2011.

These options do not entitle the holder to participate in any share issue of the Company or any other related body corporate. During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows:

| Number of Shares | Amount paid on each share |
|---|---|
| 500,000 | $0.30 |
| 1,000,000 | $0.45 |
| 200,000 | $0.50 |
| 100,000 | $0.55 |
| 200,000 | $0.56 |

There were no amounts unpaid on the shares issued.

## INDEMNIFICATION AND INSURANCE OF OFFICERS

Since the end of the previous year the Company has paid insurance premiums of $83,202 in respect of Directors' and Officers' liability and company reimbursement insurance, for all directors, senior executives and company secretaries including directors of subsidiary companies, directors and officers who have retired or relinquished their position prior to the inception of or during the policy period and directors who have been appointed during the policy period. The insurance cover also extends to outside directorships held by insured persons for the purpose of representing the Company.

Under the insurance policy the insurer agrees to pay:

- all losses which each insured person becomes legally obligated to pay on account of any claims for wrongful acts.
- all losses for which the company may grant indemnification to each insured person.

The insurance policy outlined above does not provide details of the premium in respect of the individual officers of the Company.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). Refer to Note 2 in the Notes to the Financial Statements for a detailed overview of the potential impacts upon the consolidated entity.

## ROUNDING

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

SAHBA ABEDIAN
Joint Managing Director - Sunland Group Limited

Dated at Surfers Paradise this 29th day of September 2004.

## Statement of Financial Performance FOR THE YEAR ENDED 30 JUNE 2004

| | Notes | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|---|
| **Revenue from operating activities** | | | | | |
| Revenue from the sale of properties | | 346,428 | 178,526 | - | 853 |
| Revenue from hotel services | | 36,904 | 34,489 | 24,917 | 21,969 |
| Other revenues from ordinary activities | 3 | 7,209 | 5,765 | 29,585 | 6,538 |
| | | 390,541 | 218,780 | 54,502 | 29,360 |
| **Expenses from operating activities** | | | | | |
| Employee expenses | | (21,057) | (18,805) | (10,462) | (9,409) |
| Borrowing costs | 4(a) | (11,332) | (4,256) | (2,233) | (1,725) |
| Depreciation and amortisation expenses | 4(a) | (2,774) | (2,882) | (1,694) | (1,840) |
| Administration and other expenses | 4(a) | (278,084) | (155,015) | (12,236) | (13,124) |
| Profit from operating activities | | 77,294 | 37,822 | 27,877 | 3,262 |
| **Expenses from non-operating activities** | | | | | |
| Correction of error in treatment of deferred costs as disclosed in the 2003 comparative results* | 4(b) | - | (2,743) | - | (2,226) |
| **Profit from ordinary activities before related income tax expense** | | 77,294 | 35,079 | 27,877 | 1,036 |
| Income tax expense relating to ordinary activities | 6(a) | (22,078) | (10,617) | (22,078) | (510) |
| **Net profit attributable to members of the parent entity** | 22 | 55,216 | 24,462 | 5,799 | 526 |
| Non-owner transaction changes in equity | | | | | |
| Transaction costs relating to equity raising | | (2,023) | - | (2,023) | - |
| Decrease in capital reserve | | - | (74) | - | - |
| Correction of error in treatment of deferred costs as disclosed in the 2003 comparative results* | 4(b), 22 | - | 2,743 | - | 2,226 |
| Total adjustments attributable to members of the parent entity recognised directly in equity | | (2,023) | 2,669 | (2,023) | 2,226 |
| **Total changes in equity from non-owner related transactions attributable to the members of the parent entity** | 23 | 53,193 | 27,131 | 3,776 | 2,752 |
| **Ordinary shares:** | | | | | |
| Earnings per share (cents) | 8 | 30.6 | 14.4 | | |
| Diluted earnings per share (cents per share) | 8 | 29.7 | 13.8 | | |
| ^Franked dividends per share | | 6.0 | 3.0 | | |

*In 2003 the Australian Securities and Investments Commission ("ASIC") stated the disclosure of the application of UIG 42 "Subscriber Acquisition Costs for the Telecommunications Industry" as a direct impact on equity for the year ended 30 June 2002 was not appropriate as these costs related to the write-off of deferred expenditure of pre-opening costs for Palazzo Versace and Legends Hotel.

Please refer to Note 4b in the Notes to the financial statements for the results for the comparative year had the adjustment been corrected in the period the expense was incurred. This reflects the operating results for the financial year ended 30 June 2003 and the adjustment relates to the financial year ended 30 June 2002.

^Dividends declared and paid after the year end.

## Statement of Financial Position FOR THE YEAR ENDED 30 JUNE 2004

| | Notes | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | |
| Cash assets | 10 | 9,942 | 11,063 | 5,425 | 3,810 |
| Receivables | 11 | 52,176 | 23,200 | 738 | 8,698 |
| Inventories | 12 | 111,467 | 113,788 | 1,198 | 871 |
| Other | 13 | 3,808 | 712 | 148 | 89 |
| Total current assets | | 177,393 | 148,763 | 7,509 | 13,468 |
| NON-CURRENT ASSETS | | | | | |
| Receivables | 11 | 13,451 | 2,419 | 134,614 | 115,895 |
| Inventories | 12 | 233,923 | 106,441 | - | - |
| Property investments | 14 | 83,207 | 76,534 | 68,339 | 68,982 |
| Other financial assets | 15 | - | - | 8,890 | 8,890 |
| Plant and equipment | 16 | 7,521 | 5,841 | 19 | 28 |
| Deferred tax assets | 6(b) | 1,619 | 306 | 1,619 | - |
| Other | 13 | 29,763 | 391 | - | - |
| Total non-current assets | | 369,484 | 191,932 | 213,481 | 193,795 |
| Total assets | | 546,877 | 340,695 | 220,990 | 207,263 |
| CURRENT LIABILITIES | | | | | |
| Payables | 17 | 57,135 | 46,471 | 1,777 | 2,099 |
| Interest bearing liabilities | 18 | 41,470 | 89,378 | 104 | 96 |
| Current tax liabilities | 6(c) | - | 4,113 | - | 26 |
| Provisions | 19 | 2,283 | 1,797 | 953 | 572 |
| Total current liabilities | | 100,888 | 141,759 | 2,834 | 2,793 |
| NON-CURRENT LIABILITIES | | | | | |
| Payables | 17 | 42,117 | 31,493 | 90,049 | 162,641 |
| Interest bearing liabilities | 18 | 171,313 | 56,313 | 162 | 266 |
| Deferred tax liabilities | 6(b) | 44,779 | 17,041 | 44,779 | 2,671 |
| Total non-current liabilities | | 258,209 | 104,847 | 134,990 | 165,578 |
| Total liabilities | | 359,097 | 246,606 | 137,824 | 168,371 |
| Net assets | | 187,780 | 94,089 | 83,166 | 38,892 |
| EQUITY | | | | | |
| Contributed equity | 20 | 60,640 | 17,027 | 60,640 | 17,027 |
| Retained profits | 22 | 127,140 | 77,062 | 22,526 | 21,865 |
| Total equity | 23 | 187,780 | 94,089 | 83,166 | 38,892 |

| | Notes | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash receipts in the course of operations | | 375,549 | 217,600 | 25,797 | 26,694 |
| Cash payments in the course of operations | | (414,459) | (199,301) | (23,007) | (21,507) |
| Interest received | | 1,738 | 568 | 784 | 295 |
| Interest and other finance costs paid | | (23,945) | (6,285) | (2,232) | (1,725) |
| Income tax paid | | (6) | (1,873) | 14 | - |
| Net cash provided by/(used in) operating activities | 28(ii) | (61,123) | 10,709 | 1,356 | 3,757 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Payments for purchase of joint venture interest | | - | (5,840) | - | - |
| Payments for property plant and equipment | | (3,649) | (2,102) | (1,042) | - |
| Proceeds from sale of assets | | - | - | - | 7 |
| Net cash (used in)/provided by investing activities | | (3,649) | (7,942) | (1,042) | 7 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from borrowings | | 301,639 | 132,021 | - | 14,163 |
| Proceeds from issues of shares | | 45,636 | 75 | 45,636 | 75 |
| Payment of rights issue costs | | (2,023) | - | (2,023) | - |
| Repayment of borrowings | | (276,452) | (120,329) | (44,867) | (10,413) |
| Principal loan receipts | | - | - | 7,693 | - |
| Dividends paid | | (5,138) | (4,257) | (5,138) | (4,257) |
| Net cash provided by/(used in) financing activities | | 63,662 | 7,510 | 1,301 | (432) |
| Net increase/(decrease) in cash held | | (1,110) | 10,277 | 1,615 | 3,332 |
| Cash acquired in purchase of joint venture interest | | - | 292 | - | - |
| Cash at beginning of the year | | 11,019 | 450 | 3,810 | 478 |
| Cash at the end of the year | 28(i) | 9,909 | 11,019 | 5,425 | 3,810 |



## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

### (a) BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of assets.

The accounting policies have been consistently applied by each entity in the consolidated entity and except where there is a change in accounting policy as set out in Note 2, are consistent with those of the previous year.

### (b) PRINCIPLES OF CONSOLIDATION

**Controlled entities**

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

**Joint venture operations**

The consolidated entity's interests in unincorporated joint ventures is brought to account by including its appropriate share of the joint ventures' assets, liabilities and expenses and the consolidated entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

**Transactions eliminated on consolidation**

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation. Unrealised gains resulting from transactions with joint ventures are eliminated to the extent of the consolidated entity's interest.

### (c) TAXATION

The consolidated entity adopts the income statement liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

The consolidated entity consolidated for Income Tax purposes as at 1 July 2003. As a result the tax assets and tax liabilities for the entire Group are reflected in Sunland Group Limited as no Tax Sharing Arrangements are in place.

### (d) CASH

Cash on hand and in banks and short term deposits are stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

### (e) RECEIVABLES

The recoverability of receivables is assessed at reporting date and specific provision is made for any doubtful accounts.

**Trade debtors**

Trade debtors to be settled within 60 days are carried at amounts due.

**Term debtors**

Term debtors represent vendor finance offered on the sale of certain highrise units. These are generally settled within 24 months and are carried at amounts due, net of any interest receivable.

### (f) INVESTMENTS

**Controlled entities**

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

**Property Investments**

The company's and consolidated entity's interests in hotel investment properties is carried at the lower of net written down value and recoverable amount based on independent or Directors' valuation. No depreciation is provided on investment properties other than in respect to items of plant and equipment.

Current valuations for hotel investment properties valued on the open market value of the property in its existing use are carried out at least once every three years.

### (g) INVENTORIES

**Valuation**

Development properties and hotel inventories are carried at the lower of cost and net realisable value. Cost includes the cost of acquisition, and for development properties also includes development and holding costs such as rates, taxes and interest incurred until the point of time that the property is ready for sale.

Profits emerging from unconditional sales of incomplete developments are included as a component of inventories, separately disclosed, until such time as the project is ready for contract settlement.

### (h) REVENUE RECOGNITION

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

**Sale of properties**

Income from the sale of development properties is not recognised until, at least, unconditional contracts are exchanged and a significant non-refundable deposit is received.

Notes to the Financial Statement | FOR THE YEAR ENDED 30 JUNE 2004

Where properties are sold prior to completion of development, income is recognised on a profits emerging basis for each individual project using the percentage of completion method. In these circumstances, income is only recognised when:

- the stage of project completion can be readily determined;
- the cost to date can be clearly identified; and
- total project revenues and costs to complete can be reliably estimated.

**Recognition of emerging revenues**

For reasons of comparability, sales revenues with respect to unconditional sale contracts are disclosed proportionately, based upon the percentage completion of each development, consistent with the recognition of emerging profits. Percentage completion is determined by reference to actual costs incurred as a proportion of total projected development costs.

**Rendering of Services**

Revenue from rendering of hotel services is recognised when the service is rendered and the revenue is receivable.

**Interest income**

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

**Dividends**

Revenue from dividends from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

### (i) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS VALUED ON COST BASIS

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs. In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value except where specifically stated.

### (j) DEPRECIATION AND AMORTISATION

**Useful Lives**

All assets have limited useful lives, and are depreciated/amortised using the straight line or diminishing value method over their estimated useful lives. Assets are depreciated or amortised from the date of acquisition.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

The depreciation rates used for each class of asset are as follows:

| | 2004 | 2003 |
|---|---|---|
| Property, plant and equipment | | |
| Hotel plant and equipment | 20-40% | 20-40% |
| Office plant and equipment | 20-40% | 20-40% |

### (k) PAYABLES

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable, (except for construction retentions and contracts for the purchase of land) are normally settled within 60 days. Construction retentions are normally payable 6 months after the completion of construction. Liability for the purchase of land is recognised in the accounts when the contract becomes unconditional, and is generally settled by the contract completion date.

### (l) INTEREST BEARING LIABILITIES

Bank loans are recognised at their principal amounts, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in "Other creditors and accruals" where it does not relate to qualifying assets.

### (m) EMPLOYEE BENEFITS

Provision is made for employee benefits relating to wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

### (n) BORROWING COSTS

Borrowing costs include interest, ancillary costs incurred in connection with the arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the borrowing costs in relation to that borrowing are capitalised to the cost of the assets.

### (o) ACQUISITIONS OF ASSETS

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1 (n).

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

Expenditure is deferred and recognised as an asset only when it is directly attributable to future economic benefits as a result of the costs incurred, and it is probable that these future economic benefits will eventuate. All other costs are expensed as incurred.

### (p) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (q) EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus element.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect of revenues and expenses of conversion to ordinary shares associated with dilutive potential. Ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus element.

### (r) CONTRIBUTED EQUITY

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### (s) COMPARATIVES

Where necessary, comparatives have been reclassified and repositioned for consistency with current disclosure

## 2. CHANGES IN ACCOUNTING POLICIES

### (a) CURRENT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous reporting period.

### (b) FUTURE ACCOUNTING POLICIES

**International Financial Reporting Standards**

Sunland Group Limited ("Sunland") has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS).

Sunland has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key accounting policies and systems that may be impacted by the transition to IFRS. Sunland's IFRS plan consists of four stages, which include identifying the impacts, developing solutions, implementation and a post implementation review. The team has completed the first stage and is moving into the second stage of Solution Development.

As Sunland has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with Australian equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Sunland prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report based on the results and position at 30 June 2004.

**Revenue recognition**

Under IFRS, the criteria for recognition of revenue are different to those required by current Australian accounting standards and it is possible that this could lead to a change in recognition of revenue in certain transactions. In addition there is still subjectivity on whether UIG Consensus View 53 *Pre-Completion Contracts for the Sale of Residential Development Properties* complies with the principles in AASB 118 Revenue and AASB 111 *Construction Contracts*. The revenue recognition criteria are currently under review by the Australian Accounting Standards Board. Reliable estimation of the future financial effect of this change in accounting policy will be identified on resolution of revenue recognition requirements.

**Income taxes**

Under AASB 112 *Income Taxes,* the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

Classification of Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement,* financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables - measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value with fair value changes charged to net profit or loss, available for sale - measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The adoption of this standard has been deferred to 1 January 2005. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process is only required to be completed on transition in 2005.

**Impairment of Assets**

Under the Australian equivalent to AASB 136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs may be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

**Investment properties**

AASB 140 *Investment Properties* sets out specific criteria for the recognition and measurement of investment properties. There has previously been no Australian equivalent to this standard. The standard sets out that owner occupied properties or elements of investment properties that are owner occupied generally not meet the definition of investment properties and will be classified as property, plant and equipment. Properties that are not owner occupied will be required may be carried at cost and depreciated or revalued to fair value through the income statement. Internally constructed investment properties that meet the investment property criteria will need to be carried at cost during development, but will be able to be revalued to fair value (market value) through the income statement at practical completion. The impact of the standard may include a change in the classification of some assets may upon adoption of IFRS. The financial impact of the change in classification or treatment is yet to be determined.

**Share based payments**

Under AASB 2 *Share based Payments,* the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. This will not have a substantial financial effect on the Group.

**Capitalised costs**

The current recognition criteria used for the deferral of certain expenditure will no longer be available under IFRS unless specific criteria are met. Where the criteria are not met the standard requires the expenditure to be recognised as an expense when incurred. The adoption of the standard may impact expenditure currently deferred on specific assets or amounts held in work in progress. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

**First time adoption**

Under AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards the financial impact of the above issues will be recognised through retained earnings on initial adoption of IFRS.

Notes to the Financial Statement FOR THE YEAR ENDED 30 JUNE 2004

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | $'000 | $'000 | $'000 | $'000 |
| **3. REVENUE FROM ORDINARY ACTIVITIES** | | | | |
| Other revenues from operating activities: | | | | |
| Rental income | 567 | 561 | 476 | 462 |
| Management fees | 4,734 | 4,636 | - | 5,781 |
| Other | 170 | - | 182 | - |
| Dividends: | | | | |
| Wholly owned subsidiaries | - | - | 28,143 | - |
| Interest: | | | | |
| Other parties | 1,738 | 568 | 784 | 295 |
| Total other revenues | 7,209 | 5,765 | 29,585 | 6,538 |
| **4. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE** | | | | |
| (a) Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items: | | | | |
| Administration and other expenses: | | | | |
| Cost of properties sold | 259,252 | 135,603 | - | 1,041 |
| Net decrease on adoption of UIG 53 "Pre-completion contracts for the sale of residential development property" | - | 1,444 | - | - |
| Cost of hotel services | 14,970 | 14,681 | 11,102 | 10,585 |
| Administration and other operating expenses | 3,862 | 3,287 | 1,134 | 1,498 |
| | 278,084 | 155,015 | 12,236 | 13,124 |
| Depreciation of: | | | | |
| Plant and equipment | 1,089 | 213 | 9 | 8 |
| Property Investments | 1,685 | 2,669 | 1,685 | 1,832 |
| | 2,774 | 2,882 | 1,694 | 1,840 |
| Borrowing costs: | | | | |
| Related parties | - | 180 | - | - |
| Other parties - Bank loans | 23,945 | 7,256 | 2,233 | 1,725 |
| Less capitalised borrowing costs | (12,613) | (3,180) | - | - |
| | 11,332 | 4,256 | 2,233 | 1,725 |
| Net bad and doubtful debts expense including movements in provision for doubtful debts | (15) | (181) | (3) | 5 |
| Net expense from movements in provision for: | | | | |
| Employee benefits | 326 | 37 | 331 | 68 |
| Operating lease rental expense: | | | | |
| Minimum lease payments | 684 | 506 | - | - |

### (b) Correction of error in treatment of deferred costs as disclosed in the 2003 comparative results

In the 2002 financial year the directors applied UIG 42 "Subscriber Acquisition Costs in the Telecommunications Industry" to the balance of deferred hotel pre-opening expenses relating to Palazzo Versace and Legends Hotel. The net effect of this after taxation was an adjustment that reduced retained earnings by $2,743,026 for the consolidated entity and $2,226,449 for the company.

In 2003, the Australian Securities & Investment Commission subsequently advised the Company that it was of the view that UIG 42 is not applicable to entities that are not in the Telecommunications Industry, and therefore the Company could not use UIG 42 as the basis for writing off deferred expenditure directly against retained earnings. The Company's auditors, Ernst & Young, concurred with this view. Pursuant to AASB 1018 "Statement of Financial Performance", as the error was discovered during the reporting period ending 30 June 2003, correction of the error was made in the financial report for that period.

Below is a Proforma Statement of Financial Performance for the comparative period 30 June 2003 had the error not been made.

| | Consolidated 2003 $'000 | Company 2003 $'000 |
|---|---|---|
| Pro forma Statement of Financial Performance | | |
| Revenue from the sale of properties | 178,526 | 853 |
| Revenue from hotel services | 34,489 | 21,969 |
| Other revenues from ordinary activities | 5,765 | 6,538 |
| Total revenue | 218,780 | 29,360 |
| Employee expenses | (18,805) | (9,409) |
| Borrowing costs | (3,202) | (1,725) |
| Depreciation and amortisation expenses | (2,882) | (1,840) |
| Administration and other expenses | (156,069) | (13,124) |
| **Profit from ordinary activities before related income tax expense** | 37,822 | 3,262 |
| Income tax (expense) relating to ordinary activities | (10,617) | (510) |
| Net profit attributable to members of the parent entity | 27,205 | 2,752 |
| **Non-owner transaction changes in equity** | | |
| Decrease in capital reserve | (74) | - |
| Total adjustments attributed to members of the parent entity recognised directly in equity | (74) | - |
| **Total changes in equity from non-owner related transactions attributable to the members of the parent entity** | 27,131 | 2,752 |
| Earnings per share (cents) | 16.0 | |
| Diluted earnings per share (cents) | 15.5 | |



| | Consolidated 2004 | Consolidated 2003 | Company 2004 | Company 2003 |
|---|---|---|---|---|
| **5. AUDITORS' REMUNERATION** | | | | |
| Amounts received or due and receivable by Ernst & Young | | | | |
| Audit or review of the financial report of the entity and any other entity in the consolidated entity | 191,500 | 80,000 | 191,500 | 80,000 |
| Other services in relation to the entity and any other entity in the consolidated entity: | | | | |
| tax compliance | 87,415 | - | - | - |
| assurance related | 178,433 | 26,050 | - | - |
| special audits required by regulators | 107,397 | - | - | - |
| | 564,745 | 106,050 | 191,500 | 80,000 |

| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
|---|---|---|---|---|
| **6. TAXATION** | | | | |
| (a) Income Tax Expense | | | | |
| Prima facie income tax calculated at 30% (2003: 30%) on the profit from ordinary activities | 23,189 | 10,524 | 8,363 | 311 |
| Tax effect of permanent and other differences: | | | | |
| Tax effect previously recognised on UIG 42 issue | - | 822 | - | 668 |
| Division 43 building allowance | (641) | (749) | (469) | (469) |
| Sundry non-deductible items | 14 | 20 | - | - |
| Rebatable dividend income | - | - | (8,442) | - |
| Operating lease treated as a finance lease in accounts | 168 | - | - | - |
| Under provision for tax in previous years | (652) | - | - | - |
| Expense recognised on tax consolidation | - | - | 22,626 | - |
| Income tax expense attributable to operating profit | 22,078 | 10,617 | 22,078 | 510 |
| (b) Deferred Tax Liabilities | | | | |
| Provision for deferred income tax | | | | |
| Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2003:30%) on the following items: | | | | |
| Expenditure currently deductible for income tax purposes but capitalised for accounting purposes | 26,317 | 7,769 | 108 | - |
| Revenue currently not assessable for income tax purposes but recognised for accounting purposes | 15,377 | 6,656 | - | - |
| Differences in depreciation of property, plant and equipment for accounting and income tax purposes | 3,085 | 3,016 | 3,085 | 3,016 |
| Future income tax benefit offset against deferred income tax | - | (400) | - | (345) |
| Liability recognised on tax consolidation under the act | - | - | 41,586 | - |
| | 44,779 | 17,041 | 44,779 | 2,671 |

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| **6. TAXATION (CONT)** | | | | |
| **Future Income Tax Benefit** | | | | |
| Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2003: 30%) of the following items: | | | | |
| Provisions and accrued employee entitlements not currently deductible | 3 | 544 | - | 200 |
| Sundry timing differences | - | 14 | 895 | 1 |
| Expenditure deducted for accounting purposes, but capitalised for tax purposes | - | 148 | - | 144 |
| Future income tax benefit of losses recognised | 1,616 | - | - | - |
| Future income tax offset against deferred income tax | - | (400) | - | (345) |
| Asset recognised on tax consolidation under the act | - | - | 724 | - |
| | 1,619 | 306 | 1,619 | - |
| (c) Current Tax Liabilities | | | | |
| Provision for current income tax | - | 4,113 | - | 26 |

The Group consolidated for income tax purposes from 1 July 2003, as there is no tax sharing arrangements in place between Sunland Group Limited and the subsidiary companies within the Group, all tax expenses, assets and liabilities are recognised in Sunland Group Limited.

## 7. DIVIDENDS

**Dividends Paid**

Dividends recognised in the current year by the Company are:

The 2003 final fully franked dividend recognised when declared during the year, of 3.0 cents per share amounting to $5,137,800 and paid on 3 November 2003.

**Dividends Declared**

Dividend declared subsequent to reporting date:

The Company has declared and paid a final dividend of 6.0 cents per share, amounting to $12,874,505 franked at 100% with 30% franking credits in respect of the year ended 30 June 2004. The dividend has not been declared at year-end and therefore has not been recognised in the financial statements at 30 June 2004.

**Dividend Reinvestment Plan (DRP)**

On 15 June 2004, the Company introduced a dividend reinvestment plan (DRP). The plan is available to all shareholders, the DRP is priced based on the volume weighted average for 5 days up to and including the record date of the dividend, no discount is applied to the DRP.

| | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|
| **Dividend Franking Account** | | |
| 30% franking credits available to shareholders of Sunland Group Limited for subsequent financial years. | 8,621 | 15,838 |

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the amount of the current tax liability;

(b) franking debits that will arise from the payment of dividends recognised as a liability at year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at year-end; and

(d) franking credits that the entity will be prevented from distributing in subsequent years.

The ability to use the franking account credits is dependent upon there being sufficient available profits to declare dividends.



| | Consolidated 2004 $'000 | Company 2003 $'000 |
|---|---|---|
| **8. EARNINGS PER SHARE** | | |
| **Classification of securities as potential ordinary shares** | | |
| The options outstanding under the Executive Share Option Plan have been classified as potential ordinary shares and included in diluted earnings per share only. | | |
| **Earnings Reconciliation** | | |
| Net profit for basic and diluted earnings | 55,216 | 24,462 |
| **Weighted average number of shares used as the denominator** | | |
| Number used for the calculation of basic earnings per share | '000 | '000 |
| Ordinary shares | 180,323 | 170,260 |
| Effect of dilutive securities: | | |
| Effect of executive share options on issue | 5,765 | 5,800 |
| Number used for the calculation of diluted earnings per share | 186,088 | 176,060 |

For dilutive securities exercised after reporting date refer to the Directors Report.

## 9. SEGMENT REPORTING

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributed to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

**Business Segments**

The consolidated entity comprises the following main segments, based on the consolidated entity's management reporting system:

- Urban land, residential housing and multi-storey property development segments.
- Hotel investments and operations.

**Geographical Segments**

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the product or service. Segment assets are based on the geographical location of the assets.

The consolidated entity's business segments operate geographically as follows:

Australia: Property sales offices and products in Queensland, Victoria and New South Wales. Hotel and management operations in Queensland.

## 9. SEGMENT REPORTING (CONT)

### Primary reporting

| Business segments | Urban Land Development | | Residential Housing | | Multi - Storey | | Hotel Investments and Operations | | Other | | Eliminations | | Consolidations | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | | | | | | | | | | |
| External segment revenue | 39,653 | 36,396 | 87,232 | 63,550 | 223,628 | 79,332 | 36,904 | 37,332 | 3,124 | 2,170 | - | - | 390,541 | 218,780 |
| Inter-segment revenue | - | - | - | - | - | - | 1,018 | 778 | - | 9,903 | (1,018) | (10,681) | - | - |
| Total revenue | 39,653 | 36,396 | 87,232 | 63,550 | 223,628 | 79,332 | 37,922 | 38,110 | 3,124 | 12,073 | (1,018) | (10,681) | 390,541 | 218,780 |
| **Result** | | | | | | | | | | | | | | |
| Segment result before borrowing costs expense | 19,079 | 11,310 | 15,382 | 9,159 | 55,365 | 23,515 | 3,466 | (1,074) | 1,706 | 1,008 | - | - | 94,998 | 46,066 |
| Borrowing costs expense after capitalisation | (866) | - | (2,297) | - | (5,338) | - | (2,143) | (3,202) | (688) | - | - | - | (11,332) | (3,202) |
| Segment results after borrowing costs | 18,213 | 11,310 | 13,085 | 9,159 | 50,027 | 23,515 | 1,323 | (2,128) | 1,018 | 1,008 | - | - | 83,666 | 42,864 |
| Unallocated corporate expenses | | | | | | | | | | | | | (6,372) | (7,785) |
| Profit from ordinary activities before tax | | | | | | | | | | | | | 77,294 | 35,079 |
| Income tax expense | | | | | | | | | | | | | (22,078) | (10,617) |
| **Net profit** | | | | | | | | | | | | | 55,216 | 24,462 |
| Depreciation and amortisation | - | - | - | - | 458 | 16 | 2,005 | 2,685 | 311 | 181 | - | - | 2,774 | 2,882 |
| **Assets** | | | | | | | | | | | | | | |
| Segment assets | 94,226 | 15,781 | 84,908 | 61,782 | 210,285 | 163,530 | 96,725 | 83,839 | 7,959 | 8,435 | - | - | 494,103 | 333,367 |
| Unallocated corporate assets | | | | | | | | | | | | | 52,774 | 7,328 |
| **Consolidated total assets** | | | | | | | | | | | | | 546,877 | 340,695 |
| Acquisition of non-current assets | - | - | - | - | - | 2,598 | 806 | - | 2,843 | 1,887 | - | - | 3,649 | 4,485 |
| **Liabilities** | | | | | | | | | | | | | | |
| Segment liabilities | 27,571 | 2,783 | 11,610 | 27,145 | 40,124 | 40,569 | 4,145 | 4,095 | 3,376 | 2,105 | - | - | 86,826 | 76,697 |
| Unallocated liabilities | | | | | | | | | | | | | 272,271 | 169,909 |
| **Consolidated total liabilities** | | | | | | | | | | | | | 359,097 | 246,606 |

| **Segment Reporting** Geographical Segments | Queensland | | Victoria | | New South Wales | | Consolidations | |
|---|---|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| External segment revenue by location of product/service | 315,968 | 201,131 | 74,573 | 17,649 | - | - | 390,541 | 218,780 |
| Segment asset by location | 428,815 | 278,023 | 93,574 | 62,672 | 24,488 | - | 546,877 | 340,695 |
| Acquisition of non-current assets | 3,031 | 4,379 | 384 | 106 | 234 | - | 3,649 | 4,485 |



| | Consolidated 2004 | Consolidated 2003 | Company 2004 | Company 2003 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **10. CASH ASSETS** | | | | |
| Cash | 7,135 | 11,009 | 5,425 | 3,810 |
| Bank short term deposits | 2,807 | 54 | - | - |
| | 9,942 | 11,063 | 5,425 | 3,810 |
| **11. RECEIVABLES** | | | | |
| **Current** | | | | |
| Trade debtors | 49,513 | 18,801 | 748 | 1,005 |
| Less Provision for doubtful debts | | | | |
| Opening balance | (58) | (232) | - | - |
| Movement for period | 25 | 174 | (10) | - |
| Closing balance | (33) | (58) | (10) | |
| | 49,480 | 18,743 | 738 | 1,005 |
| Amounts receivable from Joint Venture participants | - | 3,847 | - | 7,693 |
| Sundry debtors | - | 174 | - | - |
| GST receivable | 2,696 | 436 | - | - |
| | 52,176 | 23,200 | 738 | 8,698 |
| **Non-Current** | | | | |
| Trade debtors | 8,108 | - | - | - |
| Amounts receivable from Joint Venture participants | 5,343 | 2,419 | - | - |
| Loans to controlled entities | - | - | 134,614 | 115,895 |
| | 13,451 | 2,419 | 134,614 | 115,895 |

The weighted average effective interest rate on amounts receivable from joint venture participants is 8.55% at 30 June 2004 (2003: 8.3%).

Sundry debtor amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Interest is not charged and the amounts are not secured.

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| **12. INVENTORIES** | | | | |
| **Current** | | | | |
| Development properties, including land subdivision, other land and buildings under construction, at lower of cost and net realisable value | 94,977 | 101,861 | - | - |
| Finished goods - at cost | 9,088 | 1,000 | 1,198 | 871 |
| Emerging profits recognised to date | 7,402 | 10,927 | - | - |
| | 111,467 | 113,788 | 1,198 | 871 |
| **Non-Current** | | | | |
| Development properties including land and buildings under construction, at cost. | 210,755 | 106,441 | - | - |
| Emerging profits recognised to date | 23,168 | - | - | - |
| | 233,923 | 106,441 | - | - |
| Total development properties held for sale comprises: | | | | |
| Costs of acquisition | 139,602 | 114,858 | - | - |
| Development costs capitalised | 121,784 | 87,857 | - | - |
| Borrowing costs and other amounts capitalised | 44,346 | 5,586 | - | - |
| | 305,732 | 208,301 | - | - |
| Borrowing costs were capitalised at a weighted average rate of 9.6% (2003:6.9%) | | | | |
| **Emerging profits recognised during the year** | | | | |
| Proportionate unconditional sales revenue recognised | 127,347 | 55,853 | - | - |
| Proportionate costs to date | (106,337) | (44,926) | - | - |
| Profits emerging to balance date on a percentage completion basis | 21,010 | 10,927 | - | - |

See note 25 for details of the above inventories that are held as security over various finance facilities.



| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| **13. OTHER ASSETS** | | | | |
| **Current** | | | | |
| Prepayments | 1,210 | 712 | 148 | 89 |
| Deposits on property acquisitions | 2,598 | - | - | - |
| | 3,808 | 712 | 148 | 89 |
| **Non-Current** | | | | |
| Deposits on property acquisitions | - | 391 | - | - |
| Construction bond | 29,763 | - | - | - |
| | 29,763 | 391 | - | - |

The construction bond relates to cash held on deposit as security for loans and bank guarantees for various projects. These amounts will be receivable between 12 and 18 months from year end.

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| **14. PROPERTY INVESTMENTS** | | | | |
| **Non-current** | | | | |
| Land and building at cost | 59,529 | 52,213 | 44,661 | 44,661 |
| Plant and equipment at cost | 32,657 | 31,615 | 32,657 | 31,615 |
| Accumulated depreciation | (8,979) | (7,294) | (8,979) | (7,294) |
| | 83,207 | 76,534 | 68,339 | 68,982 |
| **Reconciliations** | | | | |
| Reconciliation of property investments is set out below: | | | | |
| Balance at beginning of the year | 76,534 | 106,467 | 68,982 | 70,821 |
| Acquisitions / (disposals) during year | 3,958 | 11,131 | 1,042 | (7) |
| Depreciation | (1,685) | (2,669) | (1,685) | (1,832) |
| Transfer from inventories | 4,400 | - | - | - |
| Transfer to inventories | - | (38,395) | - | - |
| Balance at end of the year | 83,207 | 76,534 | 68,339 | 68,982 |

The company's investment in hotel properties currently represents the company's investment in the Palazzo Versace Hotel, the remaining common areas of Legends Hotel and units held in other completed projects held for investment. The recoverable amount of the Palazzo Versace investment is based on an independent valuation of the hotel property carried out as at December, 2002 by Mr B W Cox AAPI of C B Richard Ellis (B) Pty Limited of $75,000,000 (excluding the total value of the land which is included in the cost base above) and is on the basis of the open market value of the property in its existing use. The directors are of the opinion that the net book value of the investments does not exceed its recoverable amount.

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| **15. OTHER FINANCIAL ASSETS** | | | | |
| **Non-current** | | | | |
| Investments in controlled entities | | | | |
| Unlisted shares at cost | - | - | 8,890 | 8,890 |
| **16. PLANT AND EQUIPMENT** | | | | |
| Plant and equipment, at cost | 9,230 | 6,534 | 57 | 57 |
| Less: Accumulated depreciation | (1,709) | (693) | (38) | (29) |
| | 7,521 | 5,841 | 19 | 28 |
| Reconciliations of the carrying amounts of each class of plant and equipment are set out below. | | | | |
| Plant and equipment | | | | |
| Carrying amount at beginning of the year | 3,292 | 1,330 | 28 | 36 |
| Additions | 2,769 | 2,074 | - | - |
| Depreciation | (646) | (112) | (9) | (8) |
| | 5,415 | 3,292 | 19 | 28 |
| Plant and equipment under lease | | | | |
| Carrying amount at beginning of the year | 2,549 | - | - | - |
| Additions | - | 2,650 | - | - |
| Depreciation | (443) | (101) | - | - |
| | 2,106 | 2,549 | - | - |
| Carrying amount at end of year | 7,521 | 5,841 | 19 | 28 |

See note 25 for details of the above plant and equipment that is held as security over various finance facilities.

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| **17. PAYABLES** | | | | |
| **Current** | | | | |
| Trade creditors | 6,598 | 10,506 | 525 | 916 |
| Other creditors and construction accruals | 37,360 | 9,110 | 1,252 | 1,183 |
| Property settlement creditors | 13,177 | 26,855 | - | - |
| | 57,135 | 46,471 | 1,777 | 2,099 |
| **Non-Current** | | | | |
| Property settlement creditors | 35,975 | 30,100 | - | - |
| Loans from controlled entities | - | - | 84,249 | 162,641 |
| Amounts payable to Joint Venture participants | 6,142 | 1,393 | 5,800 | - |
| | 42,117 | 31,493 | 90,049 | 162,641 |



| | Notes | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|---|
| **18. INTEREST BEARING LIABILITIES** | | | | | |
| **Current** | | | | | |
| Bank loans – secured | 25 | 40,844 | 84,019 | - | - |
| Other loans - unsecured | | - | 4,790 | - | - |
| Hire purchase liability – secured | | 144 | 110 | 104 | 96 |
| Lease liability – secured | 25, 29 | 449 | 415 | - | - |
| Bank overdraft | | 33 | 44 | - | - |
| | | 41,470 | 89,378 | 104 | 96 |
| **Non-Current** | | | | | |
| Bank loans - secured | 25 | 129,740 | 53,619 | - | - |
| Lease liability - secured | 25, 29 | 1,681 | 2,134 | - | - |
| Hire purchase liability - secured | | 345 | 366 | 162 | 266 |
| Other loan - secured | | 37,763 | 194 | - | - |
| Other loan - unsecured | | 1,784 | - | - | - |
| | | 171,313 | 56,313 | 162 | 266 |

Details of finance security are set out in note 25.

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| **19. PROVISIONS** | | | | |
| **Current** | | | | |
| Replacements | 199 | 39 | 89 | 39 |
| Employee benefits | 2,084 | 1,758 | 864 | 533 |
| | 2,283 | 1,797 | 953 | 572 |
| **20. CONTRIBUTED EQUITY** | | | | |
| Share capital | | | | |
| 214,575,092 (2003:170,260,000) ordinary shares fully paid | 60,640 | 17,027 | 60,640 | 17,027 |

| | # Shares | 2004 $'000 | # Shares | 2003 $'000 |
|---|---|---|---|---|
| **Share capital:** | | | | |
| Balance beginning of the year | 170,260,000 | 17,027 | 170,010,000 | 16,952 |
| Shares issued via executive share option plan | 1,400,000 | 575 | 250,000 | 75 |
| Equity raising via rights issue | 42,915,092 | 45,061 | - | - |
| Less: Transaction costs of rights issue | - | (2,023) | - | - |
| Balance at end of the year | 214,575,092 | 60,640 | 170,260,000 | 17,027 |

**Terms and conditions of contributed equity.** Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of a winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

**(a) Executive Share Option Plan**

Terms and conditions. The options offered to executives are exercisable progressively over a five-year period from the third anniversary of their employ. The first of these options expire on the earlier of the employee's termination or progressively from 1 January 2008 until 28 August 2011. There is currently 1 director and 20 Executives eligible for this scheme at year end. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

| | Number of Options 2004 | Weighted Av Exercise Price 2004 | Number of Options 2003 | Weighted Av Exercise Price 2003 |
|---|---|---|---|---|
| Balance at beginning of year | 10,750,000 | 0.47 | 10,000,000 | 0.44 |
| granted | 3,700,000 | 1.00 | 3,000,000 | 0.59 |
| forfeited | (400,000) | 0.50 | (2,000,000) | 0.55 |
| exercised | (1,400,000) | 0.41 | (250,000) | 0.30 |
| Balance at end of year | 12,650,000 | 0.63 | 10,750,000 | 0.47 |
| Exercisable at end of year | 2,200,000 | 0.44 | 1,950,000 | 0.42 |

**(b) Options held at the beginning of the reporting period:**

| Number of Options | Grant Date | Vesting Date | Expiry Date | Weighted Av Exercise Price |
|---|---|---|---|---|
| 1,250,000 | 31/07/2000 | 31/07/2000 | 26/11/2004 | 0.30 |
| 2,000,000 | 11/02/2002 | 06/03/2003 | 06/03/2008 | 0.45 |
| 1,000,000 | 11/02/2002 | 16/11/2003 | 16/11/2008 | 0.45 |
| 1,000,000 | 11/02/2002 | 03/04/2003 | 03/04/2008 | 0.45 |
| 1,000,000 | 11/02/2002 | 31/01/2003 | 31/01/2008 | 0.45 |
| 1,000,000 | 11/02/2002 | 01/07/2004 | 01/07/2009 | 0.45 |
| 500,000 | 11/02/2002 | 01/07/2004 | 01/07/2009 | 0.50 |
| 500,000 | 11/02/2002 | 01/01/2003 | 01/01/2008 | 0.50 |
| 500,000 | 11/02/2002 | 09/02/2003 | 09/02/2008 | 0.50 |
| 500,000 | 28/11/2002 | 02/04/2003 | 02/04/2008 | 0.55 |
| 1,000,000 | 8/11/2002 | 28/10/2005 | 28/10/2010 | 0.60 |
| 500,000 | 13/01/2003 | 13/01/2006 | 13/01/2011 | 0.60 |
| 10,750,000 | | | | 0.47 |

**(c) Options exercised during the reporting period:**

| Number of Options | Grant Date | Exercise Date | Expiry Date | Weighted Av Exercise Price | Proceeds from Share Issue | Number of Shares Issued | Issue Date | Fair Value of Shares Issued |
|---|---|---|---|---|---|---|---|---|
| 500,000 | 31/07/2000 | 01/07/2003 | 26/11/2004 | 0.30 | 150,000 | 500,000 | 01/07/2003 | 0.77 |
| 100,000 | 11/02/2002 | 05/08/2003 | 01/01/2008 | 0.50 | 50,000 | 100,000 | 05/08/2003 | 0.77 |
| 400,000 | 11/02/2002 | 05/08/2003 | 06/03/2008 | 0.45 | 180,000 | 400,000 | 05/08/2003 | 0.77 |
| 165,000 | 11/02/2002 | 17/11/2003 | 16/11/2008 | 0.45 | 74,250 | 165,000 | 17/11/2003 | 1.10 |
| 100,000 | 11/02/2002 | 28/01/2004 | 01/07/2009 | 0.50 | 50,000 | 100,000 | 28/01/2004 | 1.09 |
| 100,000 | 28/11/2002 | 04/02/2004 | 02/04/2008 | 0.55 | 55,000 | 100,000 | 04/02/2004 | 1.16 |
| 35,000 | 11/02/2002 | 04/02/2004 | 16/11/2008 | 0.45 | 15,750 | 35,000 | 04/02/2004 | 1.16 |
| 1,400,000 | | | | 0.41 | 575,000 | 1,400,000 | | 0.87 |

Notes to the Financial Statement | FOR THE YEAR ENDED 30 JUNE 2004

**(d) Options granted during the reporting period:**

| Number of Options | Grant Date | Vesting Date | Expiry Date | Weighted Av Exercise Price |
|---|---|---|---|---|
| 500,000 | 28/11/2002 | 02/04/2003 | 02/04/2008 | 0.56 |
| 500,000 | 11/07/2003 | 14/10/2005 | 14/10/2010 | 0.70 |
| 400,000 | 11/07/2003 | 05/05/2006 | 05/05/2011 | 0.70 |
| 600,000 | 28/08/2003 | 28/08/2006 | 28/08/2011 | 1.20 |
| 400,000 | 19/11/2003 | 15/09/2003 | 15/09/2008 | 1.20 |
| 400,000 | 19/11/2003 | 19/11/2006 | 19/11/2011 | 1.20 |
| 500,000 | 14/05/2004 | 27/10/2006 | 27/10/2011 | 1.23 |
| 400,000 | 14/05/2004 | 01/10/2005 | 01/10/2010 | 1.23 |
| 3,700,000 | | | | 1.00 |

**(e) Options held at the end of the reporting period:**

| | | | | |
|---|---|---|---|---|
| 750,000 | 31/7/2000 | 31/07/2000 | 26/11/2004 | 0.30 |
| 1,600,000 | 11/02/2002 | 06/03/2003 | 06/03/2008 | 0.45 |
| 800,000 | 11/02/2002 | 16/11/2003 | 16/11/2008 | 0.45 |
| 1,000,000 | 11/02/2002 | 03/04/2003 | 03/04/2008 | 0.45 |
| 1,000,000 | 11/02/2002 | 31/01/2003 | 31/01/2008 | 0.45 |
| 1,000,000 | 11/02/2002 | 01/07/2004 | 01/07/2009 | 0.45 |
| 400,000 | 11/02/2002 | 01/07/2004 | 01/07/2009 | 0.50 |
| 500,000 | 11/02/2002 | 09/02/2003 | 09/02/2008 | 0.50 |
| 400,000 | 28/11/2002 | 02/04/2003 | 02/04/2008 | 0.55 |
| 500,000 | 28/11/2002 | 02/04/2003 | 02/04/2008 | 0.56 |
| 1,000,000 | 28/11/2002 | 28/10/2005 | 28/10/2010 | 0.60 |
| 500,000 | 13/01/2003 | 13/01/2006 | 13/01/2011 | 0.60 |
| 500,000 | 11/07/2003 | 14/10/2005 | 14/10/2010 | 0.70 |
| 400,000 | 11/07/2003 | 05/05/2006 | 05/05/2011 | 0.70 |
| 600,000 | 28/08/2003 | 28/08/2006 | 28/08/2011 | 1.20 |
| 400,000 | 19/11/2003 | 15/09/2003 | 15/09/2008 | 1.20 |
| 400,000 | 19/11/2003 | 19/11/2006 | 19/11/2011 | 1.20 |
| 500,000 | 14/05/2004 | 27/10/2006 | 27/10/2011 | 1.23 |
| 400,000 | 14/05/2004 | 01/10/2005 | 01/10/2010 | 1.23 |
| 12,650,000 | | | | 0.63 |

**(f) Fair values of options**

The fair value of each option is estimated on the date of grant using the Black Scholes option-pricing model. The following assumptions were used for options granted:

- The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases.
- The expected life of the options is 8 years based on historical data and is not necessarily indicative of exercise patterns that may occur.
- Historical and expected volatility have been estimated at 42% for all relevant years. This is based on the assumption that the historical volatility is indicative of future trends.
- The risk free interest rate used is between 5.05% and 6.25% depending on the year of issue

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2004 | 2003 | 2004 | 2003 |
| | Notes | $'000 | $'000 | $'000 | $'000 |
| **22. RETAINED PROFITS** | | | | | |
| Reconciliation of retained profits | | | | | |
| Retained profits at beginning of the year | | 77,062 | 54,114 | 21,865 | 23,370 |
| Net profit attributable to members of the parent entity | | 55,216 | 24,462 | 5,799 | 526 |
| Correction of misclassification relating to 2002 period | 4(b) | - | 2,743 | - | 2,226 |
| Total changes in retained profits from ordinary activities | | 55,216 | 27,205 | 5,799 | 2,752 |
| Dividends paid | | (5,138) | (4,257) | (5,138) | (4,257) |
| Retained profits at end of the year | | 127,140 | 77,062 | 22,526 | 21,865 |
| **23. TOTAL EQUITY RECONCILIATION** | | | | | |
| Total equity at beginning of the year | | 94,089 | 71,140 | 38,892 | 40,322 |
| Total changes in parent entity interest in equity | | | | | |
| recognised in statement of financial performance | | 53,193 | 27,131 | 3,776 | 2,752 |
| Transactions with owners as owners: | | | | | |
| Executive share incentive scheme | | 575 | 75 | 575 | 75 |
| Equity raising via rights issue | | 45,061 | - | 45,061 | - |
| Dividends paid | | (5,138) | (4,257) | (5,138) | (4,257) |
| Total equity at end of the year | | 187,780 | 94,089 | 83,166 | 38,892 |



## 24. CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

| | Ordinary Share Consolidated Entity Interest % | |
|---|---|---|
| Name | 2004 | 2003 |
| **Parent Entity** | | |
| Sunland Group Limited | | |
| **Controlled entities** | | |
| Sunland Homes Pty Limited | 100 | 100 |
| Sunland Homes Unit Trust | 100 | 100 |
| Sunland Southbank Pty Limited | 100 | 100 |
| Saba Enterprises Pty Limited | 100 | 100 |
| Keriland Pty Limited | 100 | 100 |
| Ridgelodge Pty Limited | 100 | 100 |
| Sunland Constructions Pty Limited | 100 | 100 |
| Bobuck Pty Limited | 100 | 100 |
| Conferta Pty Limited | 100 | 100 |
| Euthella Pty Limited | 53.24 | 53.24 |
| Lakesky Pty Limited | 100 | 100 |
| Lakesky Unit Trust | 100 | 100 |
| Hogansville Pty Limited | 100 | 100 |
| Gemmadale Pty Limited | 100 | 100 |
| Sunland Hotels and Resorts Pty Limited | 100 | 100 |
| Mandalong Pty Limited | 100 | 100 |
| Lilidale Pty Limited | 100 | 100 |
| Leighwood Pty Limited | 100 | 100 |
| Arntay Pty Limited | 100 | 100 |
| Abian Hotels & Resorts Pty Limited | 100 | 100 |
| Camryville Pty Limited | 100 | 100 |
| Inglelake Pty Limited | 100 | 100 |
| Jarlou Pty Limited | 100 | 100 |
| Odyssey Condominium & Hotels Pty Limited | 100 | 100 |
| Palazzo Versace Pty Limited | 100 | 100 |
| Silverthrone Pty Limited | 100 | 100 |
| Sunland Group (VIC) Pty Limited | 100 | 100 |
| Sunland Group (VIC) No. 1Pty Limited | 100 | 100 |
| Sunland Group (VIC) No. 2 Pty Limited | 100 | 100 |
| Tweedham Pty Limited | 100 | 100 |
| Carnriver Pty Limited | 100 | 100 |
| Sunland Joinery Pty Limited | 100 | 100 |
| Mortdella Pty Limited | 100 | 100 |
| Rawsun Pty Limited | 100 | 100 |
| Sunland Group (Vic) Northern Pty Limited | 100 | 100 |
| Addelson Pty Limited | 100 | 100 |
| Glennendale Pty Limited | 100 | 100 |

| | Ordinary Share Consolidated Entity Interest % | |
|---|---|---|
| Name | 2004 | 2003 |
| Inglesun Pty Limited | 100 | 100 |
| Marington Pty Limited | 100 | 100 |
| Munday Pty Limited | 100 | 100 |
| Rydelson Pty Limited | 100 | 100 |
| Sunland Realty Pty Limited | 100 | 100 |
| Newcombe Pty Limited | 100 | 100 |
| Roseley Vale Pty Limited | 100 | 100 |
| Flippton Pty Limited | 100 | 100 |
| Girroma Pty Limited | 100 | 100 |
| Haddenham Pty Limited | 100 | 100 |
| Hayberry Pty Limited | 100 | 100 |
| Keating Pty Limited | 100 | 100 |
| Lynstone Pty Limited | 100 | 100 |
| Larrisendale Pty Limited | 100 | 100 |
| Loxwood Pty Limited | 100 | 100 |
| Parrella Pty Limited | 100 | 100 |
| Parsen Pty Limited | 100 | 100 |
| Orleton Pty Limited | 100 | 100 |
| Preston Grove Pty Limited 100 | 100 | 100 |
| Sunland Capital Pty Limited | 100 | 100 |
| Carrarah Pty Limited | 100 | - |
| Jamalla Pty Limited | 100 | - |
| Kalamanta Pty Limited | 100 | - |
| Mantina Pty Limited | 100 | - |
| Mystonia Pty Limited | 100 | - |
| Sunland St Kilda Road Pty Limited | 100 | - |
| Sunland Constructions (Circle) Pty Limited | 100 | - |
| Sunland Constructions (Newstead) Pty Limited | 100 | - |
| Sunland Constructions (Yve) Pty Limited100 | | - |
| Sunland Real Estate (Victoria) Pty Limited | 100 | - |
| Sunland Group Project Management Pty Limited | 100 | - |
| Tessonian Pty Limited | 100 | - |
| Tuskabella Pty Limited | 100 | - |
| Valenca Pty Limited | 100 | - |
| Viennendale Pty Limited | 100 | - |

**(b) Acquisition/disposal of controlled entities**

Acquisition of entities

The following controlled entities were acquired during the year:

| | Date Control Gained | Company's Interest % | Consideration $ | Net tangible assets at date of acquisition $ |
|---|---|---|---|---|
| **2004** | | | | |
| Carrarah Pty Limited | 15 October 2003 | 100 | 1 | 1 |
| Jamalla Pty Limited | 15 October 2003 | 100 | 1 | 1 |
| Kalamanta Pty Limited | 15 October 2003 | 100 | 1 | 1 |
| Mantina Pty Limited | 8 December 2003 | 100 | 1 | 1 |
| Mystonia Pty Limited | 8 December 2003 | 100 | 1 | 1 |
| Sunland St Kilda Road Pty Limited | 8 December 2003 | 100 | 1 | 1 |
| Sunland Constructions (Circle) Pty Limited | 2 September 2003 | 100 | 1 | 1 |
| Sunland Constructions (Newstead) Pty Limited | 2 September 2003 | 100 | 1 | 1 |
| Sunland Constructions (Yve) Pty Ltd | 2 September 2003 | 100 | 1 | 1 |
| Sunland Real Estate (Victoria) Pty Limited | 21 November 2003 | 100 | 1 | 1 |
| Sunland Group Project Management Pty Limited | 13 May 2004 | 100 | 1 | 1 |
| Tessonian Pty Limited | 15 October 2003 | 100 | 1 | 1 |
| Tuskabella Pty Limited | 8 December 2003 | 100 | 1 | 1 |
| Valenca Pty Limited | 15 October 2003 | 100 | 1 | 1 |
| Viennendale Pty Limited | 8 December 2003 | 100 | 1 | 1 |
| | | | 15 | 15 |
| **2003** | | | | |
| Newcombe Pty Limited | 12 February 2003 | 100 | 1 | 1 |
| Roseley Vale Pty Limited | 25 November 2002 | 100 | 1 | 1 |
| Flippton Pty Limited | 28 April 2003 | 100 | 1 | 1 |
| Girroma Pty Limited | 12 February 2003 | 100 | 1 | 1 |
| Haddenham Pty Limited | 12 February 2003 | 100 | 1 | 1 |
| Hayberry Pty Limited | 28 April 2003 | 100 | 1 | 1 |
| Keating Pty Limited | 28 April 2003 | 100 | 1 | 1 |
| Lynstone Pty Limited | 28 April 2003 | 100 | 1 | 1 |
| Larrisendale Pty Limited | 21 August 2002 | 100 | 1 | 1 |
| Loxwood Pty Limited | 26 November 2002 | 100 | 1 | 1 |
| Parrella Pty Limited | 12 February 2003 | 100 | 1 | 1 |
| Parsen Pty Limited | 28 April 2003 | 100 | 1 | 1 |
| Orleton Pty Limited | 12 February 2003 | 100 | 1 | 1 |
| Preston Grove Pty Limited | 21 August 2002 | 100 | 1 | 1 |
| Sunland Capital Pty Limited | 25 November 2002 | 100 | 1 | 1 |
| | | | 15 | 15 |



| | Notes | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|---|
| **25. FINANCING ARRANGEMENTS** | | | | | |
| The consolidated entity has access to the following lines of credit: | | | | | |
| **Total facilities available** | | | | | |
| Bank loans and overdraft | | 368,981 | 235,895 | - | - |
| Other loans - secured | | 37,763 | 22,000 | - | - |
| Joint venture finance loans | | 1,784 | 4,834 | - | - |
| Leasing and hire purchase | | 3,286 | 3,526 | - | - |
| Documentary letters of credit | | - | 170 | - | 170 |
| Bank multi-option facility | | - | 2,650 | - | - |
| | | 411,814 | 269,075 | - | 170 |
| **Facilities utilised at balance date** | | | | | |
| Bank loans and overdraft | | 170,617 | 137,638 | - | - |
| Other loans - secured | | 37,763 | 194 | - | - |
| Joint venture finance loans | | 1,784 | 4,834 | - | - |
| Leasing and hire purchase | | 2,619 | 3,025 | - | - |
| | | 212,783 | 145,691 | - | - |
| **Facilities not utilised at balance date** | | | | | |
| Bank loans | | 198,364 | 98,257 | - | - |
| Leasing and hire purchase | | 667 | 501 | - | - |
| Documentary letters of credit | | - | 170 | - | 170 |
| Other loans | | - | 21,806 | - | - |
| Bank multi-option facility | | - | 2,650 | - | - |
| | | 199,031 | 123,384 | - | 170 |

The above facilities relate to projects and can be drawn down throughout the life of the project based on the cost to complete method.

**Bank loans**

All bank loans are denominated in Australian dollars. Bank loans are secured by first registered mortgages over various development properties and investment properties held by the consolidated entity, fixed and floating charges over the assets and undertakings of controlled entities, guarantees by the Company and a guarantee and indemnity of each member of the Sunland Group Master Finance Agreement. At 30 June 2004 bank loans of $40,844,000 (2003:$84,019,000) are due and payable within the next twelve months. Of the non-current bank loans balance, $35,400,000 is due and payable by 31 October 2005 and the balance is due and payable on completion of the development project to which it relates, not expected within the next 12 months. The weighted average effective interest rate at balance date was 9.55% (2003:6.81%), and is payable monthly.

The carrying amount of the pledged properties are as follows:

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| Inventories | 288,222 | 154,740 | - | - |
| Investments | 75,890 | 76,534 | 68,339 | 68,982 |
| Plant and equipment | 2,643 | 4,294 | - | - |
| Total pledged | 366,755 | 235,568 | 68,339 | 68,982 |

**Other loans**

Loans provided by other corporations of $37,763,100 (2003:$194,195) are secured over the development property site and a guarantee by the Company. Interest rate of 16% (2003: 16%) is charged and payable monthly on these loans.

**Joint Venture finance loans**

Joint venture finance loans of $1,785,000 (2003:$4,834,000) has been provided by the joint venture partner to partially finance the Q1 property development. The loan is repayable within the next 12 months. The effective interest rate is 8.55% (2003:8.3%), capitalised monthly.

**Finance lease and hire purchase facility**

The consolidated entity's lease and hire purchase liabilities of $2,619,000 are secured by their respective assets of $2,643,057, as in the event of default, the assets revert to the lessor or financer.

**Non-cash financing and investment activities**

During the financial year, the consolidated entity did not acquire any property, plant and equipment (2003: aggregate fair value $2,650,000) by means of finance leases. These acquisitions are not reflected in the statements of cash flows.

**Changes in financing facilities - subsequent to year-end**

Yve a Melbourne project has been financed via a private presales securitisation program via ANZ which involved a note issue of $83.7m which was rated A-1+ by Standard and Poors. This will provide the funding for the construction of the project which is anticipated to be completed in early 2006.

## 26. FINANCIAL INSTRUMENTS

**(a) Interest rate risk exposures**

The consolidated entity's exposure to interest rate risk and the effective weighed average interest rate for classes of financial assets and financial liabilities is set out below:

| | Effective Weighted Average Interest Rate % | Floating Interest Rate $'000 | Fixed interest Rate Maturing in: 1 year or less $'000 | Between 1-5 yrs $'000 | Non-Interset Bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2004** | | | | | | |
| **(i) Financial Assets** | | | | | | |
| Cash assets | 4,26 | 9,942 | - | - | - | 9,942 |
| Receivables | - | - | - | - | 65,627 | 65,627 |
| Other | 4.75 | 29,763 | - | - | 2,598 | 32,361 |
| | | 39,705 | - | - | 68,225 | 107,930 |
| **(ii) Financial Liabilities** | | | | | | |
| Payables | - | - | - | - | 99,252 | 99,252 |
| Bank loans | 8.10 | 170,617 | - | - | - | 170,617 |
| Other loans | 15.99 | 39,547 | - | - | - | 39,547 |
| Hire Purchase Liability | 7.51 | - | 144 | 345 | - | 489 |
| Lease liability | 6.96 | - | 449 | 1,681 | - | 2,130 |
| | | 210,164 | 593 | 2,026 | 99,252 | 312,035 |



| | Effective Weighted Average Interest Rate % | Floating Interest Rate $'000 | Fixed interest Rate Maturing in: 1 year or less $'000 | Between 1-5 yrs $'000 | Non-Interset Bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2003** | | | | | | |
| (i) Financial Assets | | | | | | |
| Cash assets | 4.30 | 11,063 | - | - | - | 11,063 |
| Receivables | 8.30 | - | 6,266 | - | 19,353 | 25,619 |
| | | 11,063 | 6,266 | - | 19,353 | 36,682 |
| **(ii) Financial Liabilities** | | | | | | |
| Payables | - | - | - | - | 77,964 | 77,964 |
| Bank loans | 6.80 | 141,440 | - | - | - | 141,440 |
| Other Loans | 8.60 | - | 988 | 194 | - | 1,182 |
| Hire Purchase Liability | 7.80 | - | 110 | 366 | - | 476 |
| Lease liability | 6.96 | - | 415 | 2,134 | - | 2,549 |
| | | 141,440 | 1,513 | 2,694 | 77,964 | 223,611 |

## 26. FINANCIAL INSTRUMENTS

**(b) Credit risk exposures**

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets, excluding investments of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers.

The consolidated entity is not materially exposed to any individual customer. Concentrations of credit risk on trade debtors due from customers are: Property -97.2% (2003:88%) and Hotel Operations - 2.8% (2003:12%). Property debtors relate to unconditional contracts on completed projects which are usually settled 14 to 30 days after practical completion of the project or signing of the contract, whichever is the latter.

**(c) Net fair values of financial assets and liabilities**

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Recognised financial instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers or due to suppliers, or independent valuation in respect of investment properties. The carrying amount of bank term deposits, accounts receivable, accounts payable, bank and other loans, lease liabilities and employee benefits approximate net fair value.

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date equate to those recognised in the financial report.

Unrecognised financial instruments

The consolidated entity enters into a variety of derivative instruments in the management of interest rate exposure with the objective of obtaining a more stable and predictable interest expense. Interest rate swaps and options are entered into to maintain an appropriate mix of fixed and variable rate debt. The consolidated entity does not use or issue derivative or financial instruments for speculative or trading purposes. At the reporting date the derivative instruments have been assessed as effective.

Sunland Group Limited (via various wholly owned subsidiaries) has entered into various interest rate derivative arrangements providing the following hedge profile:

| | Amount | Rate | Commence | Expire |
|---|---|---|---|---|
| **Sunland Southbank Pty Ltd** | | | | |
| Interest Rate Swap | $20m | 5.515% - 6.0% | FY 2003 | FY 2006 |
| Interest Rate Caps | $20m | 6.0% | FY 2006 | FY 2009 |
| **Camryville Pty Ltd** | | | | |
| Interest Rate Swap | From $6m increasing to $46.5m | 5.36% | FY 2004 | FY 2006 |

Cash assets are readily traded on organised markets in a standardised form. All other financial assets and liabilities are not readily traded on organised markets in a standardised form.

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| **27. CONTINGENT LIABILITIES** | | | | |
| The details and estimated maximum amounts of contingent liabilities, classified according to the party from whom the contingent liability arises, are set out below. The directors are not aware of any circumstances or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the accounts in respect of these matters. | | | | |
| **In respect of controlled entities** | | | | |
| (i) The Company and each Group member has guaranteed the finance facilities of controlled entities - Sunland Homes Pty Ltd, Keriland Pty Ltd, Sunland Southbank Pty Ltd, Newcombe Pty Ltd, Gemmadale Pty Ltd, Camryville Pty Ltd, Inglesun Pty Ltd, Sunland Joinery Pty Ltd, Inglelake Pty Ltd, Sunland Group (Vic) Northern Pty Ltd, Sunland Constructions Pty Ltd, Leighwood Pty Ltd, Mortdella Pty Ltd, Marrington Pty Ltd, Rydelson Pty Ltd, Carnriver Pty Ltd, Roseley Vale Pty Ltd, Sunland Constructions (Circle) Pty Ltd, Loxwood Pty Ltd and Munday Pty Ltd. | - | - | 209,865 | 140,334 |
| (ii) Bank guarantees for uncompleted works have been provided to local councils and government authorities in respect of property development projects undertaken by Sunland Homes Pty Ltd, Ridgelodge Pty Ltd, Gemmadale Pty Ltd, Mortdella Pty Ltd and Leighwood Pty Ltd. | 3,383 | 1,293 | - | - |
| (iii) The consolidated entity, as a partner in joint venture partnership operations is jointly and severally liable for 100% of all liabilities incurred by those joint ventures. The assets of those joint ventures are sufficient to meet such liabilities. The joint venture liabilities not already reflected in the statement of financial position are: | 79,664 | 25,187 | - | - |
| | 83,047 | 26,480 | 209,865 | 140,334 |

Notes to the Financial Statement | FOR THE YEAR ENDED 30 JUNE 2004

## 28. NOTES TO THE STATEMENT OF CASH FLOWS

**(i) Reconciliation of cash**

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| Cash | 7,134 | 11,009 | 5,425 | 3,810 |
| Deposits at call | 2,808 | 54 | - | - |
| Bank overdraft | (33) | (44) | - | - |
| | 9,909 | 11,019 | 5,425 | 3,810 |
| Cash subject to restrictions: | | | | |
| Construction bond | 29,763 | - | - | - |
| **(ii) Reconciliation of profit from ordinary activities** | | | | |
| to net cash provided by/(used in) operating activities | | | | |
| Profit from ordinary activities after income tax | 55,216 | 24,462 | 5,799 | 526 |
| *Add/(less) Non-cash items* | | | | |
| Correction of error in treatment of write off of deferred costs in prior period | - | 2,743 | - | 2,226 |
| Emerging profits | (21,010) | (10,927) | | - |
| Dividends from controlled entities | - | - | (28,143) | - |
| Depreciation and amortisation | 2,774 | 2,882 | 1,694 | 1,840 |
| Amounts set aside to provisions | 486 | 263 | 355 | 41 |
| (Increase)/decrease in assets | (462) | - | (45) | - |
| (Increase)/decrease in FITB | (1,313) | (37) | (1,619) | 131 |
| (Decrease)/Increase in income taxes payable | (4,352) | 2,701 | - | 28 |
| (Decrease)/Increase in deferred taxes | 27,738 | 6,314 | 23,711 | 351 |
| Add/(less) items classified as investing/financing activities | | | | |
| Management fees capitalised into loans | - | - | - | (2,403) |
| Net cash provided by operating activities before change in assets and liabilities | 59,077 | 28,401 | 1,752 | 2,740 |
| Changes in assets and liabilities adjusted for the effects of purchase of controlled entities during the period | | | | |
| (Increase)/decrease in inventories | (108,551) | (42,457) | (327) | 909 |
| (Increase)/decrease in receivables | (31,201) | 7,115 | 267 | 216 |
| (Increase)/decrease in construction bonds | (29,372) | - | - | - |
| (Increase)/decrease in prepayments | (3,097) | (404) | (59) | (11) |
| (Decrease)/Increase in trade payables | 52,021 | 18,054 | (277) | (97) |
| Net cash provided by/(used in) operating activities | (61,123) | 10,709 | 1,356 | 3,757 |

**(iii) Acquisitions of controlled entities**

During the year Sunland Group Limited purchased all the shares in shelf-companies as detailed in Note 24 (b)

Details of the acquisitions are as follows:

| | Company 2004 | Company 2003 |
|---|---|---|
| *Considerations* | | |
| Outflow of cash | 15 | 15 |
| *Fair value of net assets of entity acquired* | | |
| Cash | 15 | 15 |
| | 15 | 15 |

**(iv) Financing facilities**

Details of financing facilities are set out in Note 25.

## 29. COMMITMENTS

**(i) Certain controlled entities have contracts to purchase land for development leading to the following commitments.**

**Conditional contracts**

Controlled entities within the Group have entered into various contracts for land throughout Queensland for development to the total value of $31,125,000.
The contracts are conditional upon various criteria being met including reconfiguration approval, due diligence etc.
All the above conditional contracts have been entered into in the normal course of business.

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| **(ii) Operating lease commitments** | | | | |
| Future operating lease rentals not provided for in the financial statements and payable: | | | | |
| Not later than one year | 697 | 596 | 316 | 438 |
| Later than one year but not longer than five years | 1,728 | 1,551 | 542 | 980 |
| | 2,425 | 2,147 | 858 | 1,418 |

The consolidated entity leases property under operating leases expiring from two to five years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 | Company 2004 $'000 | Company 2003 $'000 |
|---|---|---|---|---|
| **(iii) Finance lease payment commitments** | | | | |
| Finance lease commitments are payable: | | | | |
| Within one year | 582 | 582 | - | - |
| Later than one year but not longer than five years | 1,761 | 2,352 | - | - |
| | 2,343 | 2,934 | - | - |
| Less: Future finance lease charges | (213) | (385) | - | - |
| | 2,130 | 2,549 | - | - |
| Lease liabilities provided for in the financial statements: | | | | |
| Current | 449 | 415 | - | - |
| Non-current | 1,681 | 2,134 | - | - |
| Total Lease liability | 2,130 | 2,549 | - | - |

Refer to Note 25 for terms and conditions



## 30. DIRECTOR AND EXECUTIVE DISCLOSURES

**(a) Details of specified directors and specified executives**

**(i) Specified directors**

Directors were in office for the entire period except where noted.

| | |
|---|---|
| John Leaver | Chairman (non-executive) |
| Garry Rothwell | Director (non-executive) |
| Terry Jackman | Director (non-executive), commenced 1 May 2004 |
| Soheil Abedian | Joint Managing Director |
| Sahba Abedian | Joint Managing Director |
| Craig Treasure | Director (executive) |

**(i) Specified executives**

| | |
|---|---|
| John Tatler | Construction Manager Highrise |
| David Brown | Development Executive |
| Anne Jamieson | General Manager |
| Grant Harrison | Equity and Funding Manager and Company Secretary |
| Scott Springer | Financial Controller |

**(b) Remuneration of Specified Directors and Specified Executives**

*(i) Remuneration Policy*

The Remuneration Committee of the Board of Directors of Sunland Group Limited is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

| | | Salary and Fees $ | Primary Non-monetary benefits $ | Post Employment Superannuation $ | Equity Operations $ | Total $ |
|---|---|---|---|---|---|---|
| **Specified Directors** | | | | | | |
| John Leaver | 2004 | 65,400 | 7,564 | - | - | 72,964 |
| | 2003 | 79,400 | 6,190 | - | - | 85,590 |
| Garry Rothwell | 2004 | 60,000 | 7,564 | 5,400 | - | 72,964 |
| | 2003 | 60,000 | 6,190 | 5,400 | - | 71,590 |
| Terry Jackman | 2004 | 10,000 | 7,564 | 900 | - | 18,464 |
| Soheil Abedian | 2004 | 440,000 | 7,564 | 83,200 | - | 530,764 |
| | 2003 | 440,000 | 6,190 | 83,200 | - | 529,390 |
| Sahba Abedian | 2004 | 220,185 | 7,564 | 19,817 | - | 247,566 |
| | 2003 | 201,835 | 20,590 | 18,165 | - | 240,590 |
| Craig Treasure | 2004 | 215,566 | 14,736 | 11,002 | 45,000 | 286,304 |
| | 2003 | 209,408 | 7,431 | 10,592 | 45,000 | 272,431 |
| **Total Remuneration: Specified Directors** | **2004** | **1,011,151** | **52,556** | **120,319** | **45,000** | **1,229,026** |
| | 2003 | 990,643 | 46,591 | 117,357 | 45,000 | 1,199,591 |

| | | Salary and Fees $ | Primary Non-monetary benefits $ | Post Employment Superannuation $ | Equity Operations $ | Total $ |
|---|---|---|---|---|---|---|
| **Specified Executives** | | | | | | |
| David Brown | 2004 | 147,161 | 11,647 | 22,837 | 40,000 | 221,645 |
| | 2003 | 147,163 | 12,596 | 22,837 | 40,000 | 222,596 |
| John Tatler | 2004 | 113,257 | 7,564 | 91,743 | 20,000 | 232,564 |
| | 2003 | 109,786 | 6,190 | 75,214 | 20,000 | 211,190 |
| Anne Jamieson | 2004 | 135,232 | 10,669 | 18,214 | 20,000 | 184,115 |
| | 2003 | 153,177 | 6,190 | 16,822 | 20,000 | 196,189 |
| Grant Harrison | 2004 | 138,440 | 7,564 | 12,460 | 20,000 | 178,464 |
| | 2003 | 124,266 | 6,190 | 10,215 | 20,000 | 160,671 |
| Scott Springer | 2004 | 79,790 | 7,564 | 7,181 | 10,938 | 105,473 |
| **Total Remuneration: Specified Executives** | **2004** | **613,880** | **45,008** | **152,435** | **110,938** | **922,261** |
| | 2003* | 669,430 | 37,356 | 137,242 | 100,000 | 944,028 |

*Group totals in respect of the financial year ended 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

No payments were made in relation to cash bonuses, retirement benefits or other bonuses.

**(c) Remuneration options: Granted and vested during the year**

During the financial year options in the share capital of Sunland Group Limited were granted as equity compensation to certain specified executives as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at the exercise price. The options may only be exercised three years after being granted and vest proportionately over a five year period. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

| | | | | Terms and Conditions for each grant | | | |
|---|---|---|---|---|---|---|---|
| | Vested Number | Granted Number | Grant date | Value per option at grant date $ | Exercise price per share $ | First Exercise Date | Last Exercise Date |
| **Specified Directors** | | | | | | | |
| Craig Treasure | 500,000 | - | 31/07/2000 | 0.18 | 0.30 | 31/07/2000 | 26/11/2004 |
| **Specified Executives** | | | | | | | |
| David Brown | 400,000 | - | 11/02/2002 | 0.16 | 0.45 | 06/03/2003 | 06/03/2008 |
| Anne Jamieson | 200,000 | - | 11/02/2002 | 0.16 | 0.45 | 03/04/2003 | 03/04/2008 |
| Grant Harrison | 200,000 | - | 11/02/2002 | 0.16 | 0.45 | 16/11/2003 | 16/11/2008 |
| Scott Springer | - | 300,000 | 28/08/2003 | 0.35 | 1.20 | 28/08/2006 | 28/08/2011 |
| Total | 1,300,000 | 300,000 | | | | | |

Notes to the Financial Statement FOR THE YEAR ENDED 30 JUNE 2004

**d) Shares Issued on Exercise of Remuneration Options**

| | Shares issued Number | Paid $ per share | Unpaid $ per share |
|---|---|---|---|
| **Specified Directors** | | | |
| Craig Treasure | 500,000 | 0.30 | - |
| **Specified Executives** | | | |
| David Brown | 400,000 | 0.45 | - |
| Grant Harrison | 200,000 | 0.45 | - |
| Total | 1,100,000 | | |

**(e) Option Holdings of Specified Directors and Specified Executives**

| | Balance at end of period 30 June 2004 | Granted as remuneration | Options Exercised | Net Change Other | Balance at end of period 30 June 2004 | Vested at 30 June 2004 Total | Not Exercisable | Exercisable |
|---|---|---|---|---|---|---|---|---|
| **Specified Directors** | | | | | | | | |
| Craig Treasure | 1,250,000 | - | (500,000) | - | 750,000 | 500,000 | - | 500,000 |
| **Specified Executives** | | | | | | | | |
| John Tatler | 1,000,000 | - | - | - | 1,000,000 | - | - | - |
| David Brown | 2,000,000 | - | (400,000) | - | 1,600,000 | 400,000 | - | 400,000 |
| Anne Jamieson | 1,000,000 | - | - | - | 1,000,000 | 400,000 | - | 400,000 |
| Grant Harrison | 1,000,000 | - | (200,000) | - | 800,000 | - | - | - |
| Scott Springer | - | 300,000 | - | - | 300,000 | - | - | - |
| Total | 6,250,000 | 300,000 | (1,100,000) | - | 5,450,000 | 1,300,000 | - | 1,300,000 |

**(f) Shareholdings of Specified Directors and Specified Executives**

Shares held in Sunland Group Limited

| | Balance 1 July 2003 | Granted as Remuneration | On Exercise of Options | Net Change Other | Balance 30 June 2004 |
|---|---|---|---|---|---|
| **Specified Directors** | | | | | |
| John Leaver | 48,707,168 | - | - | (7,122,755) | 41,584,413 |
| Soheil Abedian | 60,547,020 | - | - | (6,240,357) | 54,306,663 |
| Sahba Abedian | 4,542,400 | - | - | 1,243,850 | 5,786,250 |
| Craig Treasure | 1,350,000 | - | 500,000 | (237,676) | 1,612,324 |
| **Specified Executives** | | | | | |
| John Tatler | 35,000 | - | - | 8,750 | 43,750 |
| David Brown | 21,400 | - | 400,000 | - | 421,400 |
| Anne Jamieson | 88,000 | - | - | (65,000) | 23,000 |
| Grant Harrison | 27,595 | - | 200,000 | 80,399 | 307,994 |
| Scott Springer | - | - | - | 25,000 | 25,000 |
| Total | 115,318,583 | - | 1,100,000 | (12,307,789) | 104,110,794 |

## 31. RELATED PARTIES

**Directors and Senior Executives**

The names of each person holding the position of director of Sunland Group Limited during the financial year are Messrs John S Leaver, Soheil Abedian, Sahba Abedian, Garry Rothwell, Craig Treasure and Terry Jackman. The names of the top five senior executives holding a position during the financial year are Messrs John Tatler, David Brown, Ms Anne Jamieson, Grant Harrison and Scott Springer.

*Details of directors' and executives' remuneration are set out in Note 30.*

Apart from the details of directors and executives disclosed in this note, no director or executive has entered into a material contract with the Company or the consolidated entity since the end of the previous year and there were no material contracts involving directors' and executives' interests subsisting at year end.

**Directors and executives transactions with the Company or its controlled entities**

Transactions with directors, director related entities, executives and executive related entities, including the acquisition of products and services, were carried out in the ordinary course of business and on terms no more favourable than those which it is reasonable to expect the Group would have adopted in an arms length transaction.

**Wholly owned Group**

Details of interests in wholly owned controlled entities are set out in Note 24. Details of dealings with these entities are set out below:

**Loans**

Loans between Group entities are repayable at call and are generally interest free, except for loans from Sunland Southbank Pty Limited to Sunland Group Limited. An interest rate equivalent to the bank loan rate of 5.48% (2003: 4.87%) is charged on the loan from Sunland Southbank Pty Limited to Sunland Group Limited.

**Interest brought to account by the Company in relation to these loans during the year:**

| | | Company |
|---|---|---|
| | 2004 | 2003 |
| | $'000 | $'000 |
| Interest paid | 1,863 | 1,115 |
| Dividend revenue received by the Company from wholly owned entities during the year | 28,143 | - |

**Balances with entities within the wholly owned Group**

The aggregate amounts receivable from and payable to wholly owned controlled entities by the Company at balance date are:

| | | Company |
|---|---|---|
| | 2004 | 2003 |
| | $'000 | $'000 |
| **Receivables** | | |
| Amounts Receivable from Joint Venture participants | - | 7,693 |
| Loans | 134,614 | 115,895 |
| | 134,614 | 123,588 |
| **Creditors and Borrowings** | | |
| Loans | 84,249 | 162,640 |
| Amounts payable to joint venture participants | 5,800 | - |
| | 90,049 | 162,640 |



## 32. INTERESTS IN JOINT VENTURE OPERATIONS

On 20 February 2001, a controlled entity, Mortdella Pty Limited entered into a joint venture agreement with Thakral Holdings Limited for the development of the project known as the Glades. Each of the joint venture partners are entitled to 50% of the joint venture.

In August 2000, a controlled entity Camryville Pty Limited entered into a joint venture agreement with Q1 JV Proprietary Limited, a wholly owned subsidiary of Surfers Paradise Beach Resorts Pty Limited for the development of Q1- World's Tallest Residential Tower project. Each of the joint venture parties are entitled to 50% of the joint venture.

For the year ended 30 June 2004 the contribution of the Glades joint venture and the Q1 joint venture to the operating results of the consolidated entity before income tax was a profit of $12,423,405 (2003: $9,199,500).

Included in the assets and liabilities of the Company and the consolidated entity are the following items which represent the Company's and the consolidated entity's interest in the assets and liabilities employed in the Glades and Q1 joint ventures, recorded in accordance with accounting policy note 1(b):

| | | Consolidated | | Company |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current Assets** | | | | |
| Cash assets | 10 | 123 | - | - |
| Receivables | 5,152 | 6,567 | - | - |
| Inventories | 10,158 | 5,843 | - | - |
| Other | 14 | 110 | - | - |
| Amounts receivable from joint venture participant | - | 4,141 | - | 7,693 |
| Total current assets | 15,334 | 16,784 | - | 7,693 |
| **Non-Current Assets** | | | | |
| Inventories | 88,447 | 26,919 | - | - |
| Plant and equipment | 16 | 32 | - | - |
| Amounts receivable from joint venture participants | 7,112 | - | - | - |
| Total non-current assets | 95,575 | 26,951 | - | - |
| Total assets | 110,909 | 43,735 | - | 7,693 |
| **Current Liabilities** | | | | |
| Trade and other creditors | 12,815 | 9,150 | - | - |
| Provisions | - | - | - | - |
| Loans from related entities | - | 12,059 | - | - |
| Interest bearing liabilities | 9,639 | 2,509 | - | - |
| Total current liabilities | 22,454 | 23,718 | - | - |
| **Non-Current Liabilities** | | | | |
| Loans from related entities | 11,227 | 650 | - | - |
| Interest bearing liabilities | 53,632 | 8,194 | - | - |
| Amounts payable to joint venture participant | - | - | 5,800 | - |
| Total non-current liabilities | 64,859 | 8,844 | 5,800 | - |
| Total liabilities | 87,313 | 32,562 | 5,800 | - |

## 33. SUPERANNUATION COMMITMENTS

The consolidated entity participated in a defined contribution plan to provide benefits to employees of entities in the consolidated entity on retirement, death or disability. Benefits provided under the plan are based on accumulated contributions and earnings for each employee. The consolidated entity has a legally enforceable obligation to contribute to the superannuation plan.

## 34. EVENTS SUBSEQUENT TO BALANCE DATE

On 2 July 2004 the directors declared a dividend payment of 6 cents fully franked with an effective record date of 16 July 2004 and a payment date of 30 July 2004.

On 23 July 2004 Sunland Group Limited entered into an agreement for a land development at Mackay "Shoal Bay". Sunland has signed an $11.9m conditional contract for a 58.3 hectare site that will yield approximately 350 allotments over a five to six year period.

On 17 August 2004 Sunland Group Limited acquired a 12 hectare site at Forster in New South Wales for $14.9m. The site has a current development approval for 119 residential allotments.

The financial effects of the above transactions have not been brought to account in the financial statement for the year ended 30 June 2004. The above transactions represent acquisitions made in the normal course of business.

## DIRECTORS DECLARATION

**1. In the opinion of the directors of Sunland Group Limited**

a) the financial statements and notes of the company and consolidated entity are in accordance with the *Corporations Act 2001*,including:

i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

SAHBA ABEDIAN
Joint Managing Director
Sunland Group Limited

Dated at Surfers Paradise this 30th day of September 2004.



## INDEPENDENT AUDIT REPORT TO MEMBERS OF SUNLAND GROUP LIMITED

### Scope

**The financial report and directors' responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Sunland Group Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**Audit approach**

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

**Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

**Audit opinion**

In our opinion, the financial report of Sunland Group Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of Sunland Group Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

ERNST & YOUNG
30 September 2004

A. DE GROOT
Partner, Brisbane, 30 September 2004

## SHAREHOLDINGS

### Substantial Shareholders

The number of shares held by the substantial shareholders as at 20 September 2004 were:

| Shareholder | Ordinary Shares |
|---|---|
| Continental Venture Capital Limited | 30,194,742 |
| Havannah Pty Limited | 29,250,000 |
| Pacific Development Corporation Pty Limited | 25,056,663 |
| Citicorp Nominees Pty Limited | 11,517,750 |
| CVC Communications & Technology Pty Limited | 10,937,957 |

### Class of Shares and Voting Rights

At 20 September 2004, there were 2093 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares are set out in Article 5.8 and 5.9 of The Company's Articles of Association. The articles indicate that:

(a) at a meeting of members each member entitled to vote may vote in person or by proxy or attorney; and

(b) on a show of hands every member present has one vote, and on a poll every member present in person or by proxy or attorney has one vote for each ordinary share the member holds.

### Distribution of equity security holders (as at 20 September 2004)

| Category | Number of shareholders Ordinary Shares |
|---|---|
| 1,000 | 199 |
| 1,001 - 5,000 | 658 |
| 5,001 - 10,000 | 438 |
| 10,001 - 100,000 | 700 |
| 100,001 and over | 98 |
| | 2,093 |

As at 20 September 2004, there were 10 shareholders holding less than a marketable parcel.



### Twenty Largest Shareholders (as at 20 September 2004)

| | Number of ordinary Shares held | Percentage of Capital Held |
|---|---|---|
| **Current Assets** | | |
| Continental Venture Capital Limited | 30,194,742 | 13.92 |
| Havannah Pty Limited | 29,250,000 | 13.48 |
| Pacific Development Corporation Pty Limited | 25,056,663 | 11.55 |
| Citicorp Nominees Pty Limited | 11,517,750 | 5.31 |
| CVC Communication & Technology Pty Limited | 10,937,957 | 5.04 |
| Queensland Investment Corporation | 8,750,251 | 4.03 |
| Reraetllab Pty Limited | 8,070,000 | 3.72 |
| Global Holdings LLC | 7,500,000 | 3.46 |
| M F Custodians Ltd | 7,202,351 | 3.32 |
| Westfield Properties LLC | 5,587,500 | 2.58 |
| Mr Sahba Abedian | 4,768,750 | 2.20 |
| Rainham Pty Limited | 3,003,125 | 1.38 |
| Westpac Custodian Nominees Limited | 2,959,553 | 1.36 |
| Bywater Investments Limited | 2,649,521 | 1.22 |
| Bywater Investments Limited | 2,550,000 | 1.18 |
| Derrin Brothers Properties Ltd | 2,207,622 | 1.02 |
| Mutual Trust Pty Ltd | 1,383,621 | 0.64 |
| Derrin Brothers Properties Ltd | 1,000,000 | 0.46 |
| Govard Pty Ltd | 1,000,000 | 0.46 |
| Mr Hussain Ali Habib Sajwani | 1,000,000 | 0.46 |
| | 166,589,406 | 76.79 |

### On-Market Buy Back

There is no current on-market buy back.